THE FUTURE OF MEDIA, ADVERTISING, MEASUREMENT AND CURRENCY A PERSPECTIVE

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cimm Coalition for Innovative Media Measurement ARF

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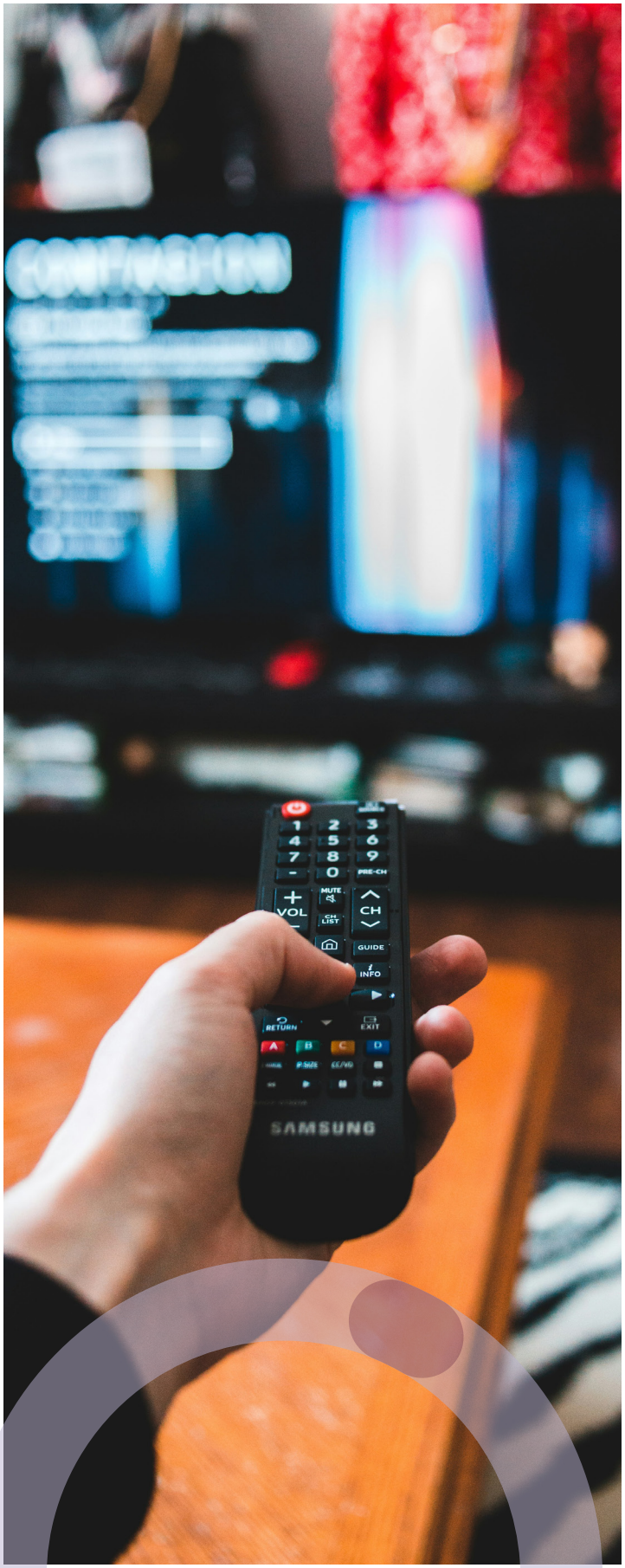
PREFACE



The Coalition for Innovative Media Measurement (CIMM) is a non-partisan, pan-industry coalition of companies from across the media and advertising ecosystem, focused on supporting improvements, best practices and innovations in measurement and currency development, the use and application of new metrics and approaches to understanding the value of media, and data collaboration and enablement.

As part of our program, CIMM commissions papers, thinkpieces and perspectives from industry analysts, experts and thought leaders – to provide insights and occasionally provocative perspectives on critical issues of interest to our Coalition of members.

The studies always involve original research, but unlike our larger studies, are not peer reviewed and do not generally involve a Project Steering Group. The views, thoughts, and opinions expressed in this paper belong solely to those of the author and not necessarily to CIMM, the author's employer, organization, research interviewees and participants, or to any other group or individual.

INTRODUCTION

The past few years have seen significant changes to what we would generally call national TV advertising, a term many use to describe the spending by large marketers which runs adjacent to professionally produced video content typically consumed on a TV set.

Streaming services are taking a significant share of TV viewing time, and typically on an ad-free basis. Cord-cutting has become meaningful and shows no signs of letting up. Multiple alternative measurement services have emerged with relatively significant funding to support efforts intended to create new currencies. All the while, TV's largest advertisers continue to shift their budgets towards digital platforms, both because of the opportunities to reach consumers in new places but also because these platforms have concentrated minds on the need to pursue "outcomes."

Introduction

Everyone involved in television knows that TV helps build brands, and strong brands are likely to support better business outcomes in the long run, but minds are now concentrated on demonstrating outcomes in the near-term more than ever.

Based on industry analysis performed on an ongoing basis by Brian Wieser of tech and media consultancy Madison and Wall, along with extensive discussions with a range of experienced industry participants, this paper explores considerations related to the future of media trading, measurement, and currencies over the course of the next decade.

Before we begin looking at the future, we need to make sure we have a common understanding of the past. The prior choices different industry participants have made goes a long way towards determining the future.

Only if we start with the recent history can we better anticipate possible scenarios around which trading, measurement and currencies might also evolve.

Towards these ends, in this paper we will outline many aspects of the future for trading, measurement and currency that seem highly likely to play out as well as many that are much more uncertain. There is no one definitive path forward for every marketer or every media company. Two different marketers could look at the definition of television very differently and manage their budgets in wildly different ways. Similarly, two owners of TV properties today could define what they are selling in very different ways: one might think of itself as selling marketers the opportunity to build brands, while another might think of itself as facilitating a commercial transaction.

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EXECUTIVE SUMMARY – KEY TAKEAWAYS

In this report we consider the future of trading, measurement and currency efforts associated with US National TV over the next decade. While we can be definitive in our expectations for many aspects of the industry's evolution, the ways in which trading, measurement and currency evolve will depend on the specifics of its future shape and marketer preferences at different points in time. Stating otherwise would be conveying a sense of false precision that mostly can't exist.

Towards these ends, we instead contemplate the many likely – often overlapping – drivers of change.

Executive Summary – Key Takeaways

These include ongoing cord-cutting and further consolidation among large media companies. A wide range of additional factors contribute to the diminishing audience inventory and reach potential of a broad definition of television with the increasing availability of low-commitment a la carte subscriptions to TV programming, reduced consumption of top-tier sports programming for causal fans, a continuing shifts of content spending – and thus viewing – from environments which are likely to be ad-supported towards environments which are not, limited tolerances for traditional TV ad loads in a mostly-on-demand world and increased fragmentation of content consumption across platforms and media properties. The rise of alternative ways to reach consumers for existing brands (i.e., via social media video) and the ongoing shifts of the economy's base of marketers as well as mix shifts from incumbent marketers leads to greater demand for digital advertising outside of TV-based media. Similarly, the rising availability of data – notwithstanding concerns around privacy – contributes towards a shifting focus towards outcomes rather than brand-building among the largest marketers even as addressability on traditional TV fails to take off given the alternative ways to apply data towards marketers' outcomes. All the while, we expect an ongoing focus on cost management in relation to spending on data, services and other "non-working" spending and a generally slow pace of change in what remains a complex ecosystem.

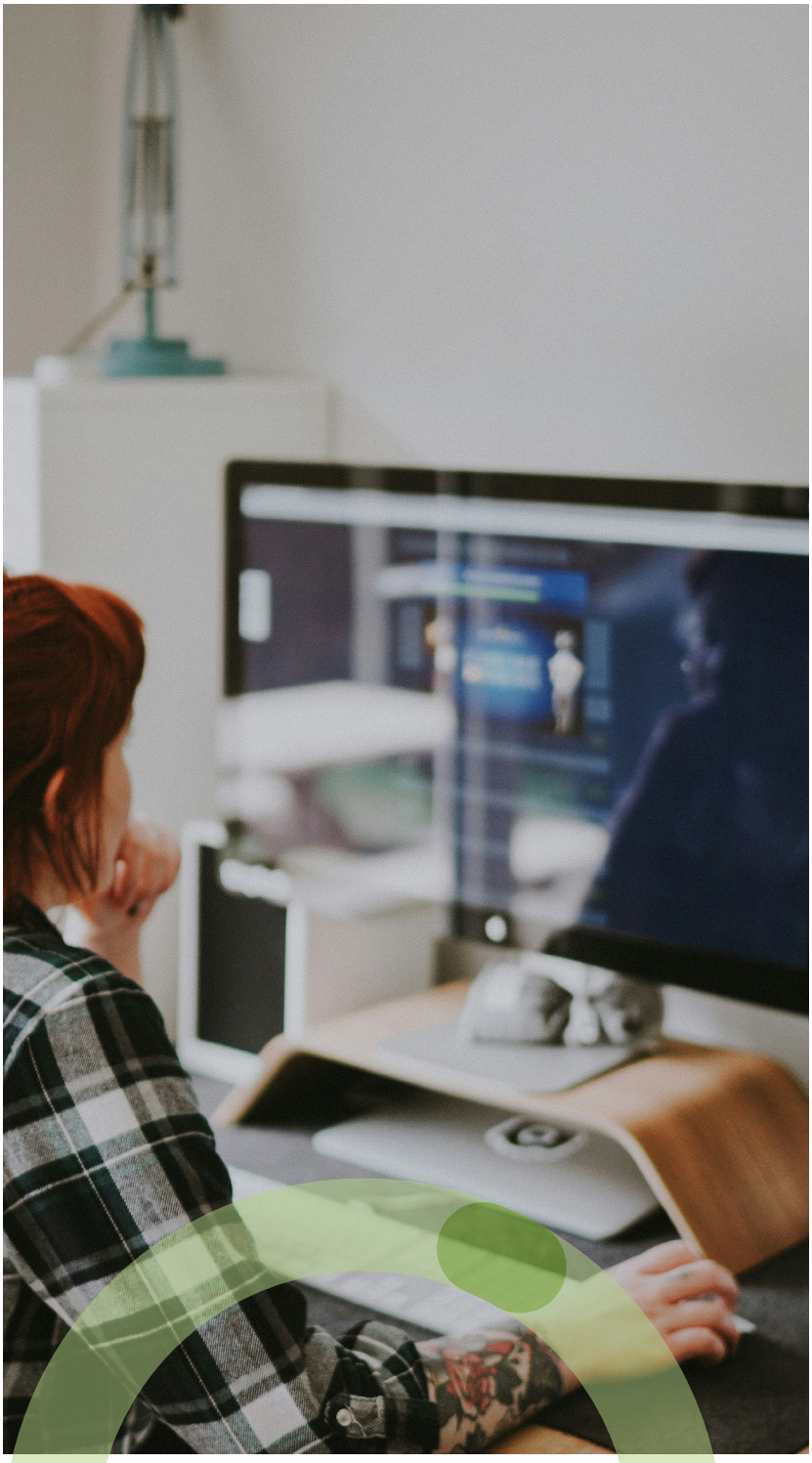
All the above may inform new or evolving paradigms for media planning beyond the status quo, such as a redefinition of "TV" to include video on social platforms or managing media plans against media owners rather than mediums.

Once we have established the world as it might be, we then try to look at how trading, currencies and measurement might evolve.

As we know that trading conventions tend to follow from the negotiating leverage that buyers and sellers have, and that leverage probably remains roughly in balance, trading's focus on broad audiences and other conventions such as upfront negotiations probably don't change too dramatically for most marketers, at least if today's definition of television remains static.

Currencies will ultimately be a function of what gets traded – and thus similarly probably evolve rather than change dramatically. Meanwhile, measurement in it broader sense will continue to remain an important function for many marketers, but far from all, and far from all the time given the costs that are likely to be involved and the ambiguity in identify outcomes associated with television advertising.

THE FUTURE OF TRADING, CURRENCY AND MEASUREMENT



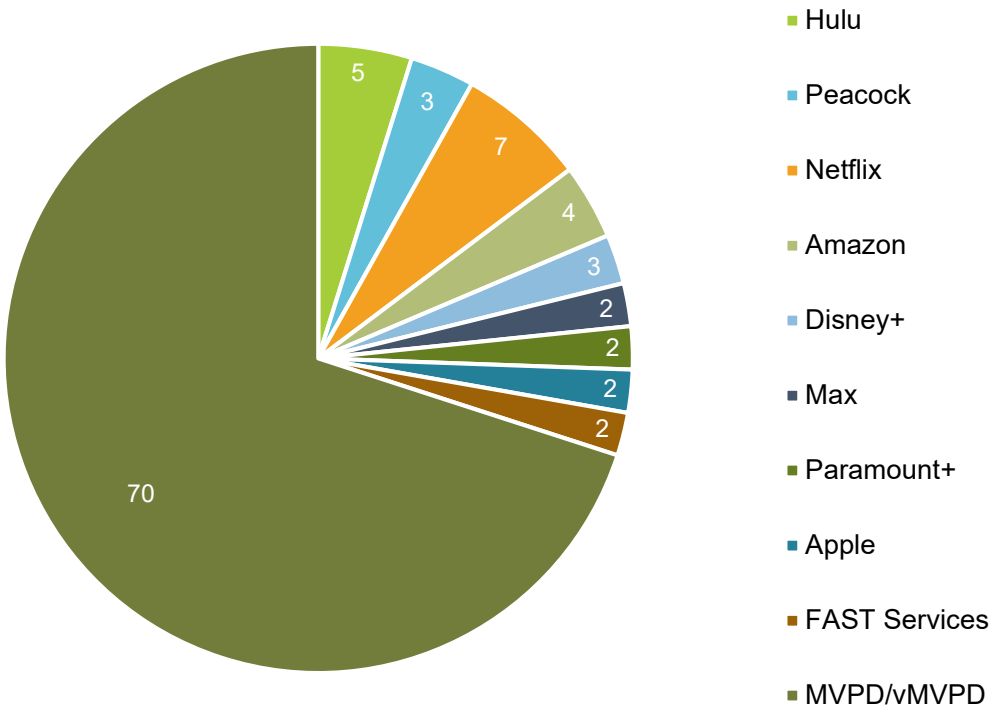
An exploration of trends and developments in the wider media and advertising market and what they mean for the future of TV and video trading, currencies, and measurement in the US marketplace national advertisers during the 2020s.

The 2020s are a pivotal era for the sector we historically referred to as “national TV” in the United States. Already this has proven to be a decade defined by unprecedented shifts in consumer preferences, technological advancements, and evolving business strategies. We are in the middle of an era of profound transformation and pluralization of the options for packaging, distributing and consuming TV and video content, with profound implications for every aspect of the business in the years ahead.

In this paper, we explore the potential implications of these developments trading, measurement and currencies for buyers and sellers, during the decade ahead. But before we explore the future, we need to look back at the changes of the prior decade. In some respects, they were relatively straightforward. The growth and development of streaming video services and the massive investments that were made in recent years stimulated a wave of disruption that is transforming the overall US television industry. A large share of TV viewing and consumer spending on video services have shifted to streaming services, resulting in declines in linear TV viewing and pay-TV subscriptions. The major TV networks moved a large share of the content budgets into supporting their streaming services.

Advertisers continued to value TV and had many reasons for continuing to use it, but they now found many alternative ways to deploy growing shares of their budgets into so-called "working" media. All the while, they also exercised meaningful cost controls on the so-called "non-working" spend associated with agencies and data that were both becoming more important by the day.

2022 US Programming Expenses (%)



Source/date: Madison and Wall, 2023

But what about trading, currencies and measurement? We've only seen minor, incremental changes in trading processes for reasons we'll explore later. And because what gets measured and what gets used as a currency are largely dependent on trading, despite the presence of new alternative providers of currencies, changes in measurement and currencies have been relatively slow, and may continue to evolve only slowly for many years to come.

One particularly important trend we need to consider that could catalyze more meaningful change: if media companies increasingly produce data of their own that is perceived (rightly or wrongly) as comprehensive and which somewhat accurately reflects the bulk of viewing on a media company's properties, offer that data as part of their trading arrangements, negotiate impression-level pricing and execution based on their first-party data which then gets used to assess effectiveness – as we typically see in digital media today – and make it worthwhile for marketers to adopt it (i.e. via meaningful pricing discounts), how many marketers will care about third party measurement in any form from any provider? Or put differently, how will third party measurement or currency services need to evolve in terms of their product attributes, pricing or go-to-market strategies to continue on their own growth trajectory?

There's no one specific path forward for the industry – and in fact, multiple paths probably can play out at the same time. The one thing is clear is that the industry is, as CEOs of Disney and Charter have recently said, at or approaching a precipice. The biggest companies who are primarily dependent on the television industry are in the pole position to determine what happens next, and the rest of the industry will react accordingly, accounting for the constraints they are under and the alternative opportunities available to them.

SETTING THE STAGE: THE EMERGENCE OF STREAMING'S DOMINANCE IN THE TELEVISION INDUSTRY

The notion of delivering content on-demand through internet-based services dates to the dawn of the modern internet. By at least 2004, Sanford Bernstein analysts Tom Wolzien and Mark Mackenzie were writing extensively about "the internet bypass" and the significant implications this method of content distribution would have for the then-dominant players in the media industry.

Setting the Stage: The Emergence of Streaming's Dominance in the Television Industry

Traditional TV networks were certainly paying attention, although the specific choices they made might not have been optimal. Networks collectively supported Hulu, which included major players like Disney's ABC, Comcast's NBC, Fox, and eventually Time Warner, but no single network owner had full control, hindering platform development. Licensing content to Netflix and other platforms for immediate revenue gains remained the norm. Traditional TV distributors – the cable operators in particular – worked with cable networks to created authenticated apps under what was called "TV Everywhere", although adoption was relatively limited. The market, it seemed, was not yet primed for such a transformation.

Nonetheless, they weren't particularly worried, even as TV Everywhere had limited usage and Hulu, while making progress – generating around $250 million in mostly ad revenue (and almost no subscriber revenue) at the time - didn't account for a huge share of the industry's activity. In 2010, Time Warner's then-CEO downplayed the potential threat of Netflix's emerging internet-based content delivery, likening it to the "Albanian Army." Concurrently, Netflix was setting its sights on becoming "HBO before HBO could become them," as Ted Sarandos emphasized in 2013, coinciding with the debut of "House of Cards." This pivotal moment marked the commencement of substantial global content investments by Netflix, setting the stage for the company's now-commanding presence among streaming services. Most notably, and unlike the efforts from traditional broadcasters, all of Netflix' content was available completely ad-free for subscribers.

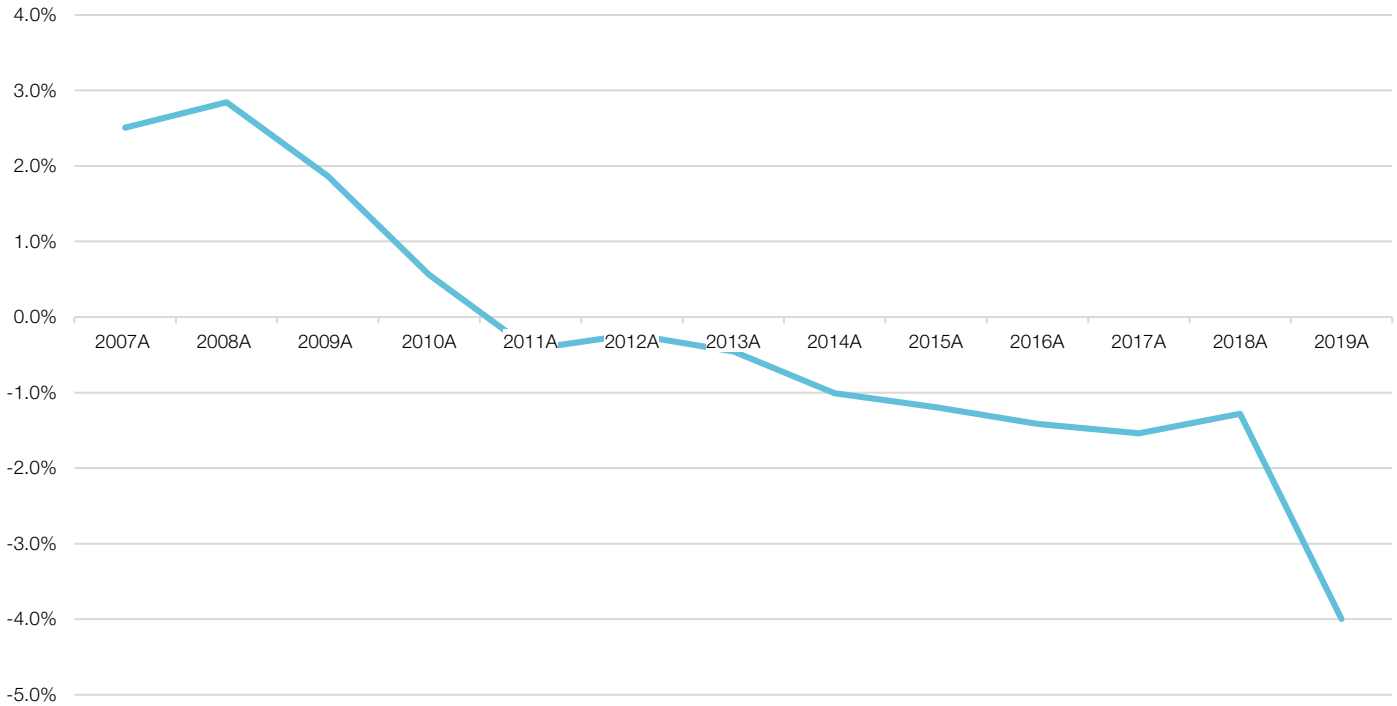
However, while dominant, Netflix was not the sole player in this unfolding streaming drama. Amazon had launched a streaming video download service years earlier, and by 2013 had introduced original programming on what was now called Prime Video. Google and Facebook (now Meta) also loomed as formidable potential competitors, with the latter boldly but unsuccessfully venturing into securing top-tier sports rights in countries like India in 2017. This ambitious move prompted Rupert Murdoch to sell a significant portion of Fox to Disney the following year. Although Facebook eventually retreated from this strategy, other tech giants embarked on a more gradual journey. Amazon expanded its offerings, Apple cultivated Apple TV, and Google shifted its television ambitions toward YouTube TV, a virtual multichannel video programming distributor (vMVPD), a concept that opened the possibility of the "skinny bundle", with more variety of network packaging for consumers.

Enabled by the advent of connected TVs, vMVPDs perhaps ironically deepened the relationships consumers had with their "dumb pipe" formerly video-only-now-internet-access providers. This new business model was taken up by others, too, including

the country's two satellite providers DISH and DirecTV and by pure-plays Fubo, and Philo. By freeing many consumers from traditional content access methods, it had the effect of limiting the universal distribution of many traditional TV networks.

Despite widespread concerns about cord-cutting and the "death of TV," the industry remained relatively stable – complacent, even – throughout the 2010s.

US Pay TV Subscriber Growth



Source/date: Madison and Wall, 2023

Ratings for the most popular programs saw consistent declines as cable networks increased their investment in original programming, leading to fragmented audiences. Nonetheless, overall viewership remained relatively steady. Television's *potential* to reach the bulk of the population had not wavered, even though the increasing fragmentation posed challenges for marketers, given the manual and one-to-many nature of advertising operations at TV networks.

At a practical level, the actual reach of campaigns was getting harder to manage, and incremental costs per point of reach were rising.

Nonetheless, most major brand-focused advertisers continued to prioritize television in their media strategies, owing to TV's unique ability to provide a platform for marketers to leverage high-quality content for branding purposes, and at a massive scale.

Advertisers, however, consistently grappled with pricing concerns, much as they always did from the dawn of the medium. Although there were real pricing (if not value) advantages to be realized by working with the largest media agencies, few marketers ever had a credible ability to walk away from the medium, given a lack of satisfactory alternatives. Had Winston Churchill been a media buyer, he probably would have said that "television is the worst form of advertising, except for all those others that have been tried."

Some large brand advertisers did shift away from TV, but these transitions were generally modest. The bulk of the growth in digital advertising during this era resulted from shifts away from print by both large and small marketers, as well as newly emerging digitally oriented businesses in e-commerce and app-based services, which were capturing an increasing share of the overall economy.

This situation was implicitly – if not explicitly – well-understood by media owners, who were well-positioned to capitalize on the situation.

Setting the Stage: The Emergence of Streaming's Dominance in the Television Industry

While concerns regarding television measurement from Nielsen persisted throughout the previous decade, despite the occasional headline to the contrary, competition in this domain remained practically limited for understandable reasons. Virtually every marketer prioritizing TV advertising sought a common benchmark for pricing, with few willing to pay extra for additional data sets. Meanwhile, networks showed little enthusiasm for investing in solutions to manage their ad inventory while offering the guarantees desired by large brands against multiple currencies.

Emerging competitors to Nielsen struggled to gain a substantial presence in the market, as the industry maintained a strong focus on age and gender metrics. Advertisers hesitated to incur additional costs for data services, or the labor required for analysis, given the challenges and subjectivity associated with assessing incremental benefits.

Consequently, measurement and currency standards evolved at a sluggish pace. Marketers did start exploring new approaches to their TV ad purchases, often termed "data-driven," even though long-used age and gender-based media buys inherently involved data. Many TV advertisers wanted to reach broad audiences based only upon age and gender, making the application of extensive data less necessary. Targeting the dog food ad only to dog owners using novel data sources and one-to-one addressable advertising technologies was increasingly do-able after decades of dreaming, but rarely executed against, especially as a different medium – the interwebs! – seemed to do the job much better, usually much more cost-effectively and at much greater scale. The closed-loop potential of buying from digital publishers, online retailers, search engines or social media platforms didn't hurt, either.

Wherever newer forms of data were applied, false precision was another problem for many other uses of "big data" datasets, although many of the new forms of data that were developed at this time did help to solve real problems, as with automated content recognition (ACR). To the extent that new data sets were being used, privacy concerns remained relatively manageable at this stage, if only because few of the industry's participants were sufficiently aware of potential legal risks.

Still, the world of media was becoming more fragmented, and demands for measurement were rising. Few wanted the perfect to be the enemy of the good-enough. Consequently, the use of disparate "franken-metrics," or unrelated data sets that may or may not be methodologically consistent, became increasingly common, although far from universal.

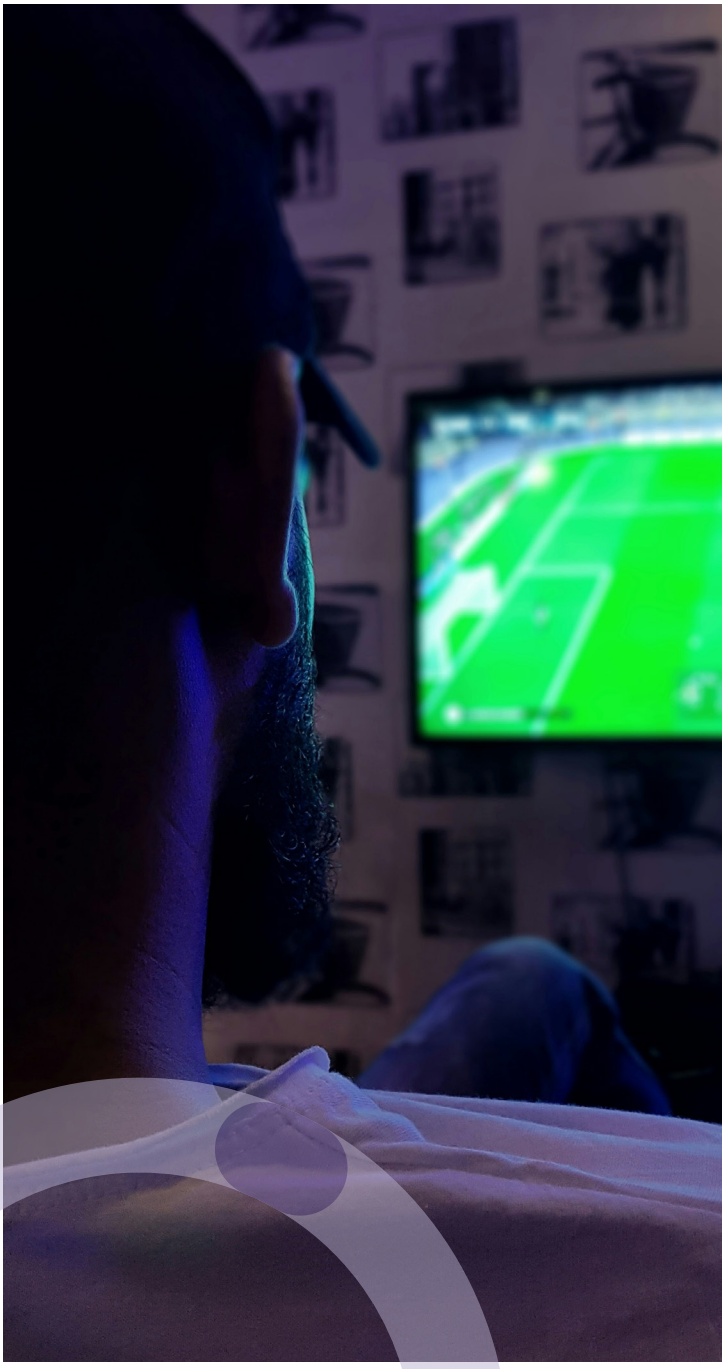
Setting the Stage: The Emergence of Streaming's Dominance in the Television Industry

Despite the environment described thus far, expectations for the future of television were not particularly optimistic, particularly among investors. By 2018, only about 10% of TV viewing occurred on streaming devices, primarily Netflix, with a modest proportion of spending allocated to content. Traditional TV retained a few unique and valuable assets, particularly top-tier sports and multi-year contracts with sports leagues that provided some reassurance, even though these agreements eroded profit margins.

However, with more than a hint of envy for Netflix's soaring valuation, which exceeded $100 billion for most of 2018 despite generating only $16 billion in revenue and $1 billion in GAAP profits, several traditional media companies recognized the limits of their traditional strategies in the streaming world and began to envision a future where they too could experience a stock boost by mirroring Netflix's efforts.

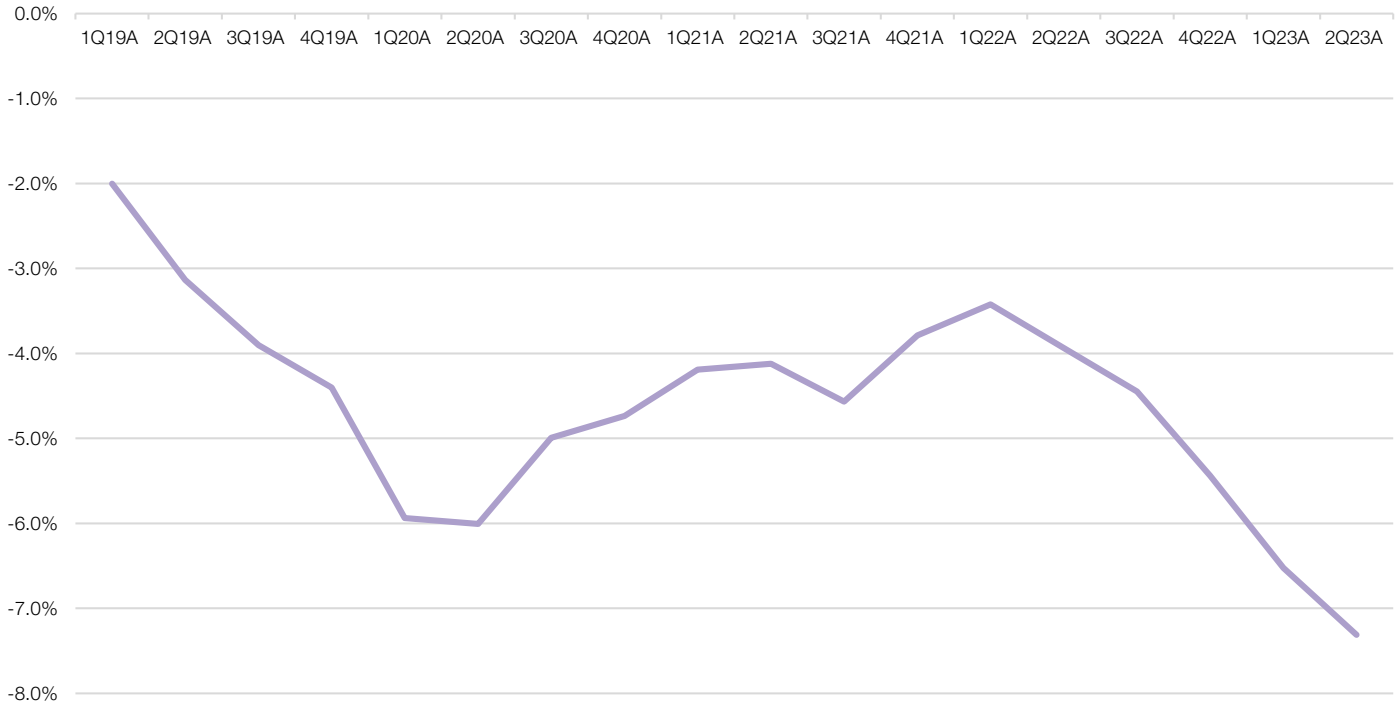
Thus, in late 2018, we witnessed a flurry of announcements from traditional network owners for launches of new services, accompanied by multi-billion dollar annual programming budgets. Disney+ made its debut in November 2019, joining the ranks of Netflix, Amazon Prime, and Apple TV+ as a substantial ad-free subscription video-on-demand (SVOD) service. While ad-supported streaming remained a part of the landscape, Hulu continued to emphasize its advertising business model. Free ad-supported TV (FAST) services, exemplified by Pluto (acquired by Viacom's predecessor company), also gained some traction, though most of the streaming experience remained largely ad-free.

THE PANDEMIC: THE FUTURE'S OPPORTUNITIES AND FEARS REALIZED



The early 2020 commencement of the global pandemic propelled the television industry forward even faster than anyone could have anticipated. As described above, major streaming initiatives had already been launched or announced immediately before the pandemic hit, with relatively deep libraries of high-quality content – often including new theatrical films or other new content on an exclusive basis - allowing consumers to indulge in binge-watching like never before. With this newly available content in many homes, streaming's share of TV consumption grew steadily, exceeding 30% while pay TV penetration, on the other hand, began to experience unprecedented declines. This cord-cutting – or maybe more accurately, cord-slashing – impacted viewing of cable networks much more than broadcast networks. Consumer spending was shifting away from conventional pay TV, DVD rentals, and the box office, meaningfully favoring streaming services instead.

US Pay TV Subscriber Growth



Source/date: Madison and Wall, 2023

At this stage, streaming advertising was mostly an afterthought for most of the biggest network-owners' services, although there certainly was a growing volume of inventory available through some of the streaming services and via connected TV-based devices. Whatever was available was technically addressable – meaning a unique ad could be delivered to a unique user of any given service – but the long-desired potential for addressable advertising to proverbially deliver a dog food advert to a dog owner had yet to take off at scale. For the same reasons, addressable advertising was a niche proposition from cable and satellite operators – high incremental costs with only subjective or modelled benefits – it wasn't much of a driver for ad growth in the streaming world. Consequently, ad inventory in streaming or connected TV environments just represented a shift of advertiser budgets rather than a home for many new ones. More problematically, where ads were sold, high inventory commitments to individual advertisers and a mismatch of supply and demand led to heavy frequency for many campaigns.

Critically, the dominance of ad-free streaming for many consumers came to mean that fewer of them would encounter advertising at all. With the shift to app-based systems on connected TV devices, linear broadcasting became less prevalent, dissuading consumers from exploring ad-supported broadcast services. Although sports remained as a primary reason for large numbers of people to seek out broadcast or cable network content, its high costs were making it increasingly likely that sports would become a primarily a la carte content format, thus limiting its reach potential.

Despite the predictability of many of these trends many owners of networks made decisions that ultimately would limit their long-term flexibility. Although the pandemic's environment of near-zero borrowing were initially favorable, it led many to carry high levels of debt, or in some cases look for more of it as part of major acquisitions.

But why should they have worried? Things were fine! Streaming subscribers were growing, and revenue was following, albeit at lower margins. Advertising was particularly positive. As the overall industry experienced an unparalleled boom, with incumbent marketers and newer ones focused on e-commerce, rapid delivery, and crypto-currency alike spending money like there was no tomorrow (for perhaps there wasn't in the wake of the pandemic – YOLO!), we still saw national television advertising expand by 17% in 2021, despite only experiencing a 9% drop in 2020.

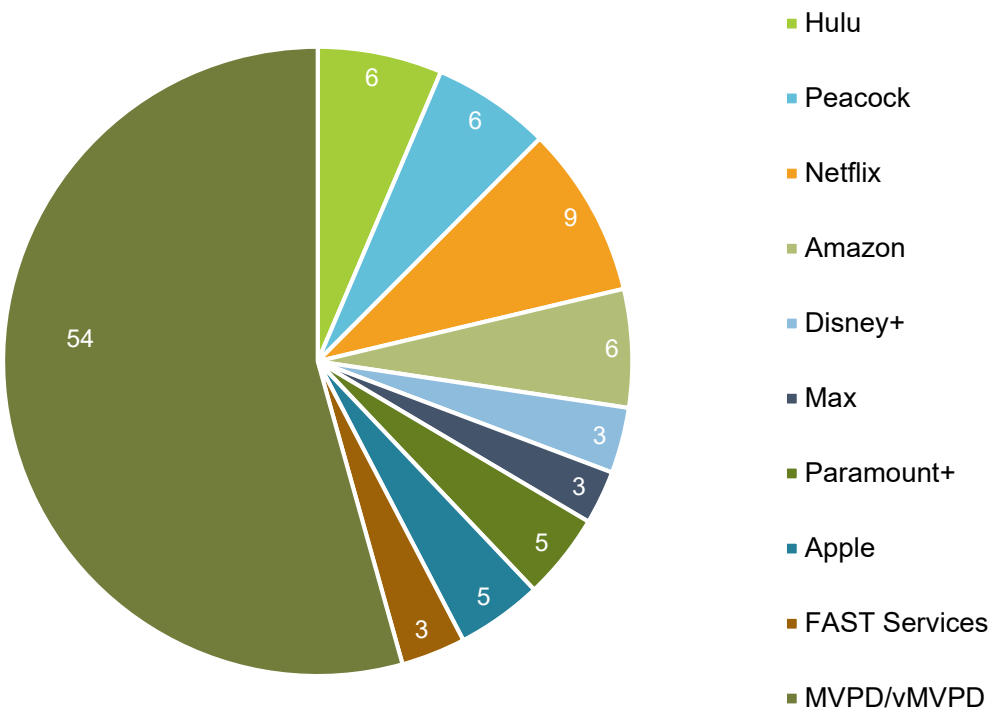
US National TV Advertising

Source/date: Madison and Wall, 2023

Meanwhile, through the pandemic, efforts to change how measurement worked appeared to experience a meaningful boost, as several emerging players in measurement benefitted from the same low-cost-of-capital environment. Whereas in the past, raising hundreds of millions – or billions – of dollars to challenge Nielsen as a significant provider of measurement and currency seemed out of reach, capital was available to almost anyone with a solid business plan. Network owners, agencies, and trade bodies, all looking to encourage broader coverage and improved matching of constituent needs were all too happy to help elevate the emerging competitors, even if they were reluctant to pay. After all, arguably a bigger driver of discontent with Nielsen than what it measured and how it measured was how much it cost everyone.

Unfortunately, circumstances changed. At the beginning of 2022 as interest rates were poised to spike to fight inflation, Netflix announced slower expectations for subscriber growth relative to analysts' consensus, and arguably the bottom fell out of the streaming market. It certainly did in stock terms for most of the industry, and the consequences led to a shift in focus on profitability rather than subscriber acquisition as a stand-alone goal.

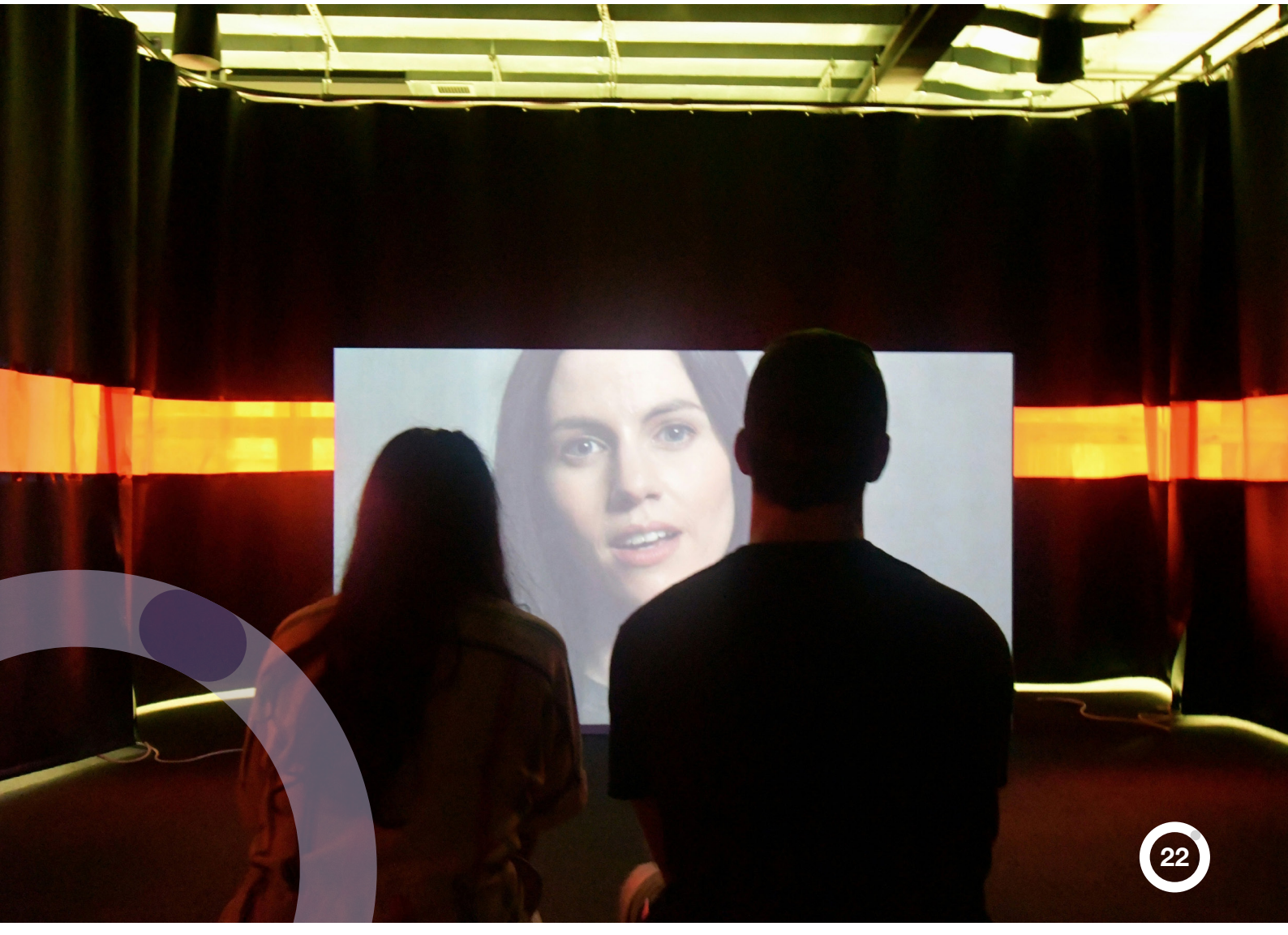
2025 US Programming Expenses (%)



Source/date: Madison and Wall, 2023

As part of this shift, investors finally recognized what should have been evident well-before the recession: that streaming was a significantly worse business than broadcasting, with higher content distribution, marketing, customer service and content production costs than traditional models. Consequently, owners of streaming services said they would curtail their spending on content – although not necessarily on their streaming services specifically – and many launched advertising tiers. However, by the middle of 2023, there was no evidence to suggest that a meaningful share of ads would ever be accounted for by streaming services – too many consumers have arguably gotten too used to ad-free experiences for large shares of their viewing – and much of the content has shifted into on-demand environments where advertising would be viewed as much more of an interruption than a natural part of the TV viewing experience.

While price increases for ad-free experiences are now rising significantly, such actions may not have desired effects: cord-cutting has accelerated, as spending on traditional pay TV remains a massive pool of consumer spending available to fund the viewing that most consumers now seek.



DRIVERS OF CHANGE IN THE DECADE AHEAD

Historical context, as described above, is crucial as it provides a common understanding of the past, which in turn sets the backdrop for the future of the industry. History arguably pre-determines much of what happens next. How the industry is organized and how individual actors within it are incented will have far-reaching implications for trading, currency, and measurement dynamics.

But before we look at ways in which the overarching industry will change, let's first consider the following factors which determine how trading, currencies and measurement evolve.

Trading

As a rule, whomever has the most credible ability to walk away from a transaction will generally be in the strongest position to set – or, more commonly, adjust – the terms of a transaction relative to the terms that were involved previously. By default, the maker of a product or service should have negotiating leverage so long as they are the only one who can make it, the product or service is differentiated and perceived as necessary for the buyer. In television, historically the sellers had all the leverage and thus could set terms, with buyers only clawing back some leverage and helping to set some terms that became baseline parts of transactions during periods of weakness for the advertising industry, and thus for television. Going forward, what networks are selling is less differentiated: it's not the programs so much, as few have ratings high enough to help a brand influence culture like they used to, as the audiences. As audiences can be bought in more places and as total demand for TV likely falls slightly, the negotiating advantage and thus the setters of the terms of trade should shift somewhat to the buyers on a more consistent basis than we have seen in the past.

On the other hand, because budgets tend to get allocated at the medium level as part of a plan, once the budget is allocated to TV there is relatively little ability to walk away: the money will be spent. This means that while it's possible – or even likely – for TV spending to decline, so long as planning and buying are separated (usually for reasons of efficiency), buyers will lack sufficient ability to force changes to the terms of trade.

Overall, there is balance that leaves relatively little changed in terms of trading conventions from year to year.

While we might generally assume that a large share of TV ad inventory is delivered through linear networks even many years from now – so long as broadcast networks are a primary source of ad inventory – what about a world where 80 or 90% of ads were delivered via streaming devices? Firstly, so long as those ads were still controlled by a small number of sellers, the industry won't suddenly shift from today's much lower levels to those much higher levels; it will only get there over the course of many years. Consequently, changes to trading will have the opportunity to gradually evolve as well, and as a result changes will likely appear incremental as well.

> *The buy side moves at a much slower pace than the sell side would like them to.*
>
> *- Senior Executive, Media Owner*

Currency

Currencies are standardized measures of units of trade. To the extent that those units change, then that new unit must be differently measured as well. Ultimately, currencies only exist to facilitate trading, and so changes to trading largely determine changes to currencies. Nothing pre-determines that there can't be multiple currencies, but when currencies are expensive to establish and maintain, there are likely to be few currencies in any form around a given type of trading.

All of the incremental costs…how do you prove out that (audience-buying is) better than just buying demos.

- Senior Executive, Media Owner

We still have a fundamental problem understanding needs and solutions.

- Independent Consultant

The building blocks are already in place; they're just not joined up yet.

- Senior Executive, Media Agency

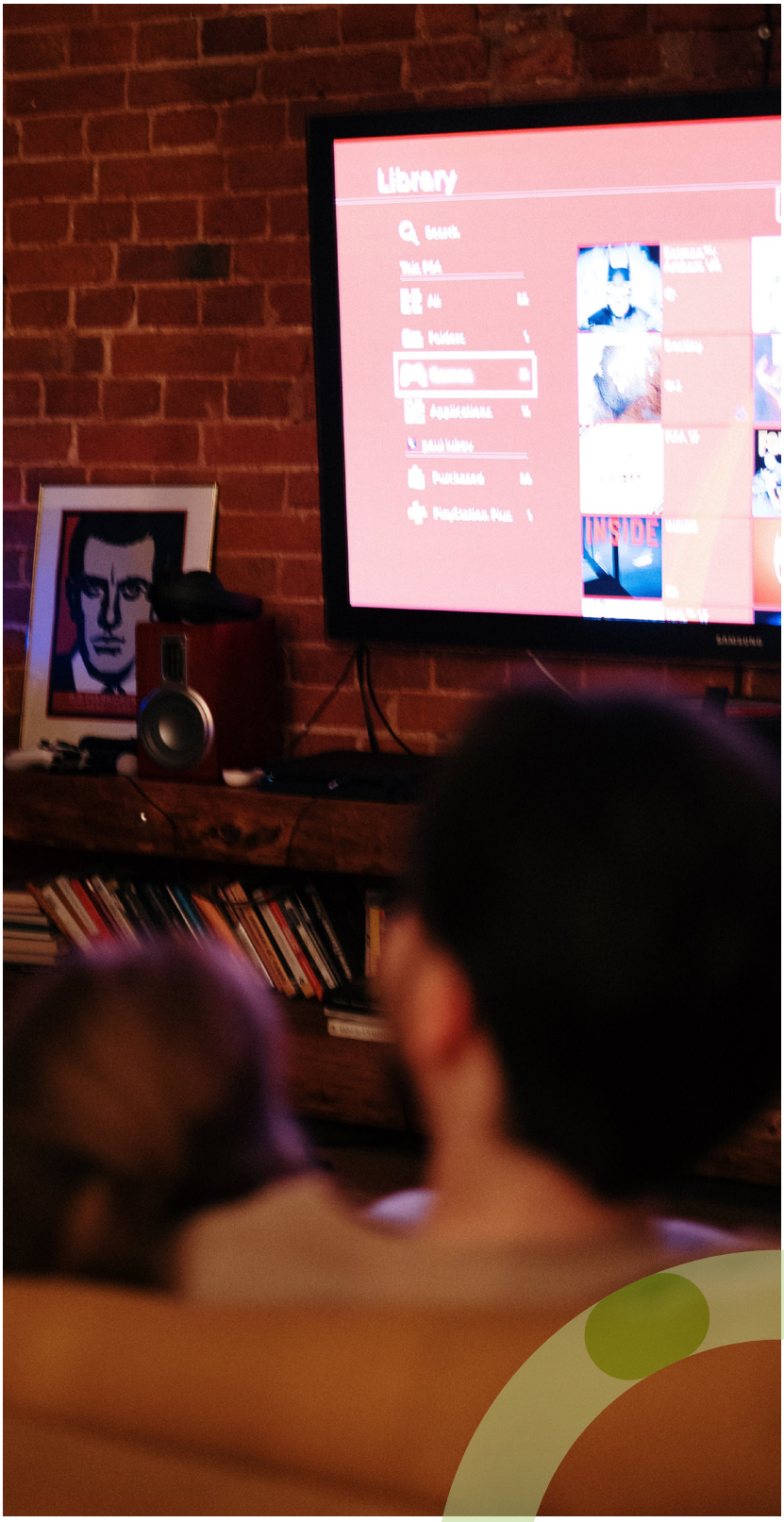
Funding of alternative measurement is a huge part of (whether or not it will succeed).

- Senior Executive, Media Owner

Measurement

Media measurement can mean a lot of things to a lot of companies. One of the main goals of measurement for marketers is to measure what they want to manage, and as a result, from a marketer's perspective, the evolution of measurement efforts depends on the evolution of what they want to manage. If they continue to believe that audience reach and gross ratings points delivered to a specific audience demographic group matters more than other things that can be measured because, for example, they believe that reach and frequency of a campaign delivered to a demographic group is the best proxy for what supports a business goal, then that's what will be measured. If a marketer is focused on outcomes, defined (for example) by return on ad spend, then marketers will attempt to measure all related elements, however imprecisely they must do so.

DRIVERS OF CHANGE



At a broader industry level, we assume the following will occur around critical issues impacting trading, currencies and measurement over the coming years.

- **Cord-Cutting:** Pay TV penetration – including vMVPDs – in the United States is quickly approaching 50%, and at its current trajectory, before the end of the decade less than a third of the population will have access to pay TV in its historical form. This has significant consequences for the reach potential of television, especially as most people's primary interface will be a smart TV, often with ad-free streaming channels serving as the first source of content a consumer will browse.

Drivers of Change

- **Consolidation:** Given that several major TV network and streaming service owners are potentially overleveraged, in a challenging environment with high debt levels and limited revenue growth, it's probable that we'll witness increased industry consolidation among these companies. This consolidation will likely lead to a concentration of advertising sales, and fewer players. While this could help to make it easier for the industry to establish more standardization in any given aspect of the business, it could also lead to new "walled gardens."

- **A La Carte Services and Churn:** Within traditional cable distribution, it's likely that more networks will be available a la carte, which will limit potential advertiser reach against today's "random" or casual viewer. At the same time, it seems likely that individual streaming services will continue to be purchased primarily on a stand-alone basis and will continue to offer flexible terms with respect to churn, which many consumers will happily take advantage of, coming and going from services more-or-less as they please in the future. How much these services are a la carte depends on the nature of consolidation. If owners of two of today's $20/month services combined, would they offer one at $40, and secure fewer subscribers with higher churn? It seems more likely that price points for services will remain lower – and thus services would be divided up in some form from a consolidator – but this remains to be seen. Nonetheless, there will still be many providers of high-quality services, most available with low-ish prices and easy cancellation terms. While not quite the form of a la carte programming or a la carte networks imagined in the past, this offers consumers more flexibility than they ever had with traditional cable services.

- **Content Spending:** While it seems likely that traditional TV network owners will hold the line or possibly reduce content spending, it seems hard to imagine that they won't end up investing a greater *share* of their budgets on streaming services. And as companies like Google, Amazon, and Apple show no signs of slowing their content investments, to the extent that there is a direct relationship between share of content spending and share of viewing, there will only be a growing share of viewing on streaming services.

Drivers of Change

- **Ad Loads and Ad Avoidance:** While consumers may tolerate ads to some extent, they are less likely to do so in a world with compelling content relative to watching content passively in the background. This strongly suggests that streaming services are unlikely to regularly offer ad loads that match linear TV for audiences who choose ad-supported options. More importantly, because higher costs for ad-free subscriptions can be offset by reductions in spending on traditional services or by prioritizing ad-free subscriptions on frequently consumed platforms, large numbers – probably a significant majority? – of consumers who prefer to avoid seeing ads will be able and willing to do so when they consume streaming content. Towards these ends, the share of ads on streaming services relative to all TV may remain in a distinct minority for the foreseeable future. The bulk of ads will continue to be experienced on linear TV and among a narrower audience than is exposed to them at present.

- **Fragmentation of Content Consumption:** Content consumption will continue to fragment beyond current levels, not only due to sports becoming less unifying but also because even fewer consumers have access to the same channels. This is exacerbated by the increasing number of companies, especially tech and media firms, producing high-quality content which attracts sufficiently large audiences. As a result, audience levels for individual programs will generally become smaller in the future, making it harder for advertisers to aggregate reach.

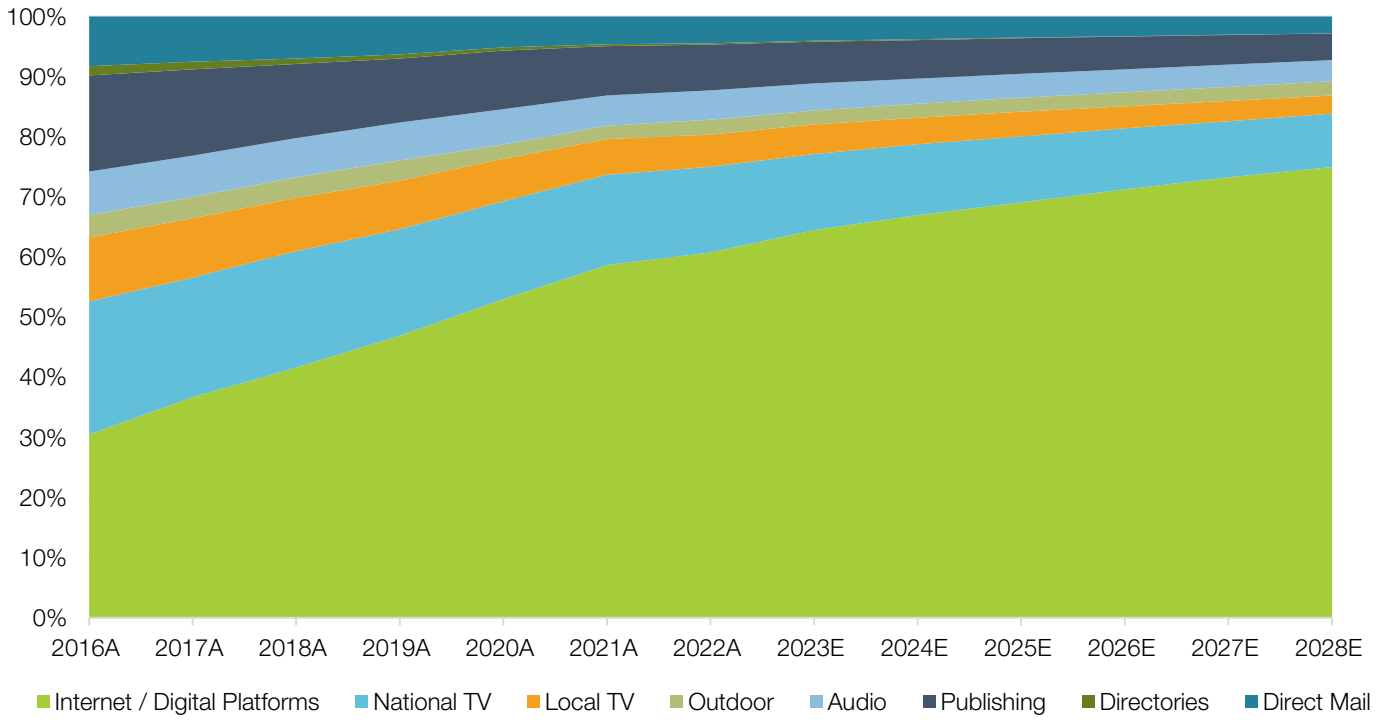
- **Sports:** While top-tier sports will likely remain popular, the reduced accessibility and viewership of linear TV will mean that viewers willing to pay specifically for sports programming will become the primary audience. Fewer casual sports viewers could impact the role of sports as a TV anchor for the traditional pay TV bundle as well as for marketers' media campaigns.

- **Non-TV Platform Video Consumption:** Platforms like YouTube and TikTok are gaining increasing importance in consumers' video consumption habits. Even if the influence of those specific platforms diminishes, it's likely that new platforms will emerge to compete and replace them, capturing a growing share of consumer time.

Drivers of Change

- **Reach Erosion:** As described above, with every passing year, managing campaigns for audience reach became more and more expensive. But in a world where pay TV penetration falls below half of the population, a connected TV serves as the primary interface for a home (limiting random viewing of broadcasting content) and ad-free tiers are preferred forms of streaming services for many – and probably even most of the streaming consumption – reach levels seen in the 2010s will become impossible to achieve at any price.
- **Media Mix Shifts:** Regardless of what happens to the TV industry, however defined, the largest marketers who dominate spending on the medium are generally likely to continue shifting their budgets into digital platforms, and much faster than before the pandemic. This shift is especially noticeable among packaged goods advertisers, who find digital platforms such as retail media are offering more tangible connections between spending and outcomes.

Media Shares



Source: Madison and Wall

Drivers of Change

- **Outcomes vs. Brands:** More generally, although marketers who dominate TV today will continue to care about their brands, when it comes to budget prioritization, efforts to drive nearer-term outcomes, however determined will tend to determine where budgets are deployed even if doing so might not be the best choice for the long-term health of a brand.

- **Data:** The shift to a focus on outcomes is largely enabled, if not encouraged, by more widespread access to and use of data. Marketers have been progressively enhancing their data management capabilities, developing new forms of first party data, and improving their capabilities in working with other third-party sources. Beyond the use of data to determine outcomes, it's inevitable that growing volumes of data will be applied to media purchases across the board, irrespective of a marketer's orientation around data-driven operations. To be sure, when they buy TV ads, many of the medium's largest marketers will continue to care about reaching essentially all consumers rather than focusing on narrow niches, but they are increasingly likely to append more data in the future than they did in the past.

- **Privacy:** New laws supporting consumer privacy are likely to come into effect or be enforced more aggressively, influencing all aspects of data-driven marketing. As marketers increasingly look to use more data, they will also be increasingly conscious of risks in using some of that data, and so may ultimately limit some of their efforts.

- **Addressability:** As cord-cutting and streaming consumption continue to rise, even if total ad consumption declines, a growing share of advertising delivered to consumers will become addressable. Whether or not advertisers believe that taking meaningful advantage of this potential in television environments – given what they already do at a much bigger scale on social platforms or with search – is worth the cost is another issue.

- **Cost Management:** Marketers will continue to focus on reducing costs associated with "TV" campaigns, which may limit their willingness to pay much extra when it comes to data and measurement. However, automation will be prioritized to drive down costs. As more data becomes available, it's relatively straightforward to expect increased programmatic buying, although arguably the shape most programmatic buying will take in television will look more like programmatic guaranteed buys on the web. There will be relatively little "open web" equivalent programmatic buying so long as marketers retain strong preferences that their brands appear alongside specific content

or with specific media owners. Cost management will continue to play out in spending on measurement services: the more advanced marketers' needs are, the more they will cost. But budgets may not rise by enough to take full advantage of this data, at least if it's hard to credibly connect that spending to increased revenue or other cost avoidance. Media owners will also be more aggressive in managing costs given the ongoing margin pressures they will face, which could have further repercussions for the degree to which measurement services have multiple new competitors in the future.

- **Slow Pace of Change:** Despite changes in consumer behavior, altering processes for media planning, buying, and measurement will remain slow and costly as they always have been. Short of sudden investments of billion dollars – as we saw in the effort to rapidly transition consumers to streaming services – changes to how the industry operates will take time to fully materialize due to its complexity.

PLANNING PARADIGMS

In the future, how will marketers choose to plan media? Changes to the basic frameworks they use – planning paradigms for lack of a better characterization – in response to changes in the media industry could have a significant impact on how they choose to trade in the world that plays out, based on the above "drivers of change." With changes in planning, changes in trading may follow, and changes to currency and measurement may follow, too.

To begin, it's essential to acknowledge that all marketers claim to take a "holistic" approach to their activities, while dismissing "silos" as inherently counterproductive. However, in practice, there is no singular "operating system" to manage marketing across all communication channels, no consistent way to assess the impact of these channels on consumers, and no single media entity capable of meeting all media-related objectives, at least for the

largest marketers. As a result, marketers and agencies have historically structured themselves to maximize efficiency within whatever framework marketers have worked within, because cost-efficiency, keeping costs low and reducing them year by year, has been a central goal for decades. This has resulted in the creation of distinct, interrelated functions or silos within which budgets are managed and optimized to achieve specific goals within budget constraints.

In other words, a key question we need to consider before looking at the future of trading, measurement and currencies is: How will marketer and agency silos evolve or shift in importance in the future?

Here are three possibilities to consider:

Paradigm One: Optimizing the Existing Medium

Some marketers will maintain a perspective that any content viewed on a television screen, whether described as linear or connected, counts as "television," while everything else should fall outside this category. There may be variations, such as whether YouTube viewed on a television should qualify as "TV" or if the distinction lies in professionally produced content. Nonetheless, the underlying assumption is that consumers are primarily in a "lean-back" mode when watching content on a large screen TV. Brands can leverage the brand equity of the content they advertise alongside, thus enhancing the perceived quality of their brands. As consumption levels for this definition of TV probably decrease over time – there will simply be less "ambient" or background viewing in a world where many more consumers primarily access on-demand streaming services – and the share of ad-free viewing goes up, campaign reach potential becomes increasingly challenged with every passing year.

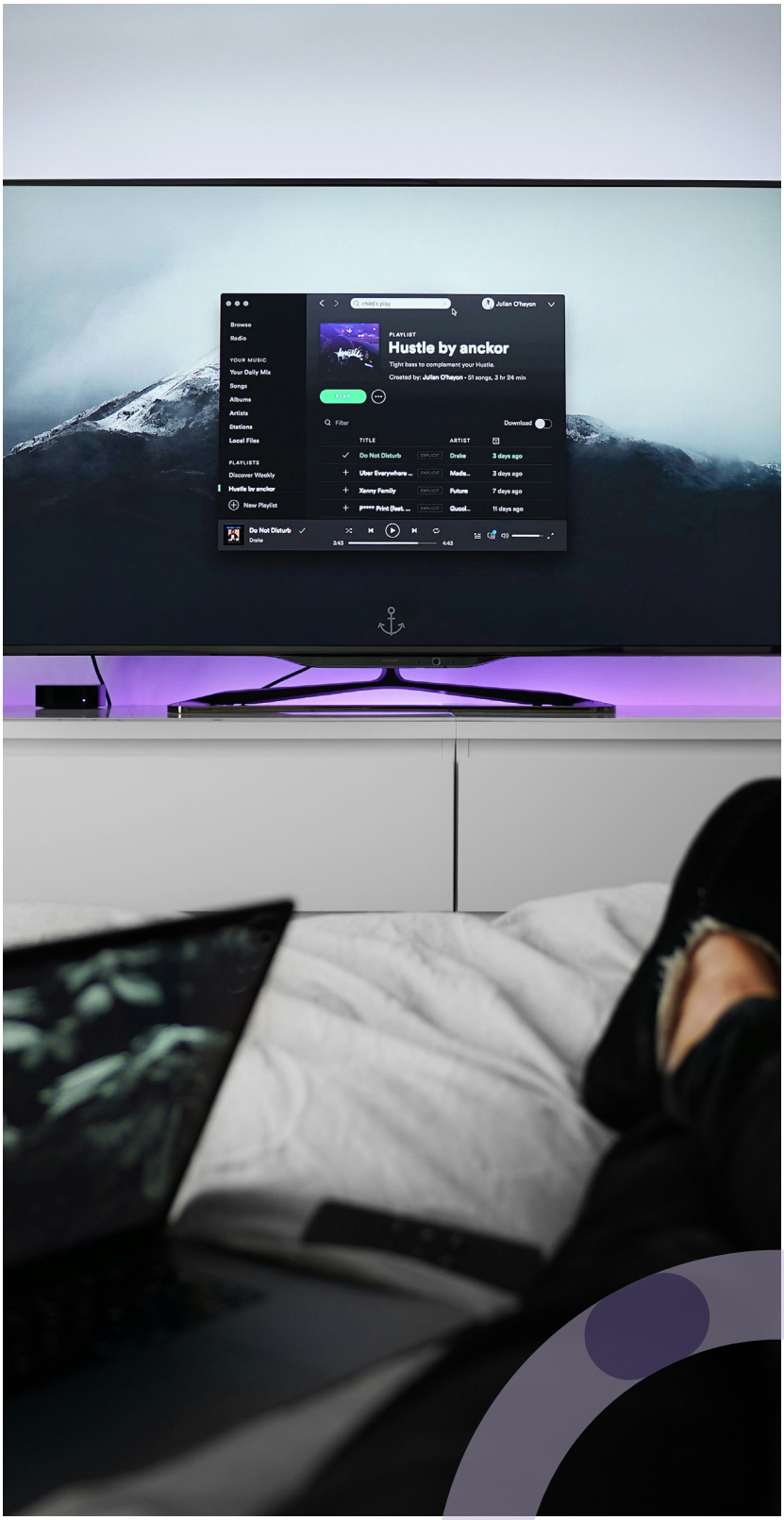
Paradigm Two: Optimizing a Broader Definition of Video

As traditional TV, including connected TV, faces limitations in reaching audiences whether defined in terms of age and gender or on other alternative metrics, increasing numbers of marketers may choose to broaden their definition of "TV" to include platforms like YouTube and/or TikTok, regardless of whether that content is viewed on a TV screen. In this scenario, marketers might view traditional TV as "network prime time," streaming video as "cable," YouTube as syndication, and TikTok as daytime TV. In the 2000s, many marketers would plan a single TV budget and segment it by dayparts or other factors; in the future, many marketers may adopt a similar approach for all platforms with significant ad-supported video content. Some already do this, but it has yet to become the industry norm.

Paradigm Three: Optimizing Across Media Companies' Cross-Platform Offerings

While the concept of a common user ID has existed in digital media for years, traditional TV network owners have only recently begun implementing this idea. As marketers increasingly manage their line items with media owners, starting with tech giants like Alphabet, Meta, and Amazon, they may move away from traditional "medium" distinctions in their budget-setting processes. As the relative effectiveness and importance of traditional television diminishes, these media incumbents may become more aggressive in adding digital inventory as part of their packages, whether video or not, to a pool of cross-media inventory they offer to marketers. Smaller digital properties and second-tier social networks may also seek to collaborate with network owners in such initiatives to enhance their standing in the industry. In essence, the future of trading, measurement, and currencies will be shaped by how these scenarios unfold, and the industry will likely see a combination of these dynamics in the coming years.

FUTURE EXPECTATIONS



Trading

Given the changes which are likely to play out in the industry over the next decade, as well as changes which are harder to anticipate , how might national TV trading evolve?

Future Expectations

- **Program Adjacencies, Audiences and Outcomes:** As content fragmentation continues to grow, the benefits from securing advertising placements based upon age and gender-based audiences next to specific programs diminishes, and an advanced audience-focus using non-age and gender-based data should become more common, notwithstanding the aforementioned limitations and alternatives available to marketers. This shift reduces the value of securing inventory in advance because the same media inventory isn't similarly valuable to everyone, although arguably the nature of bulk deals could increase because audiences are much more of a standardized, if scarce commodity in the future than they are today. It's possible – depending on how well agencies can balance their relationship with their clients and their relationships with media owners - that agencies will become more aggressive in securing greater volumes of inventory ahead of time in order to secure audiences to marketers that they (the agencies) are more attuned to finding, given their knowledge of marketers' definitions of outcomes.

- **Concentration's Consequences:** With expected consolidation, there will be a higher concentration of sales for significant volumes of TV inventory from fewer negotiating parties. This consolidation increases the likelihood that networks may agree, implicitly, to hold onto inventory until a specific time in the year when they can collectively maximize revenue. Again, bulk trading and upfront buying probably increases in importance in such a world.

- **Advantages for Larger Agencies:** A more concentrated landscape offers better opportunities for price negotiations with preferred agencies, favoring larger ones. Larger agencies have the advantage of producing credible benchmarks, making them more appealing to clients seeking cost controls. Marketers are also expected to automate processes wherever possible, including programmatic buying. However, larger agencies are better positioned to execute programmatic media at a lower cost. Smaller agencies and individual marketers may be just as capable in managing programmatic buys, but cost savings may not be as substantial on average. This is not to rule out opportunities for smaller agencies: much as today, their advantage will continue to lie in thinking differently about marketer needs rather than trying to mimic what the largest agencies provide.

- **The Persistence of Guarantees:** Guarantees are likely to persist and even increase in importance. As consumers increasingly access ad-free content, advertising inventory may become scarcer than before. This means that advertisers are unlikely to shift toward a "self-insurance" model. Consequently, the demand for guarantees is expected to rise. Marketers seeking to optimize spending across multiple channels will still be able to achieve reach goals, but those exclusively focused on traditional TV may face greater challenges, further emphasizing the perceived need for guarantees.

It's about the outcomes marketers can drive.

- Senior Executive, Media Owner

Currency

Given the changes which are likely to play out in the industry over the next decade, and changes which are harder to anticipate, how might national TV currencies evolve?

- **Nielsen's Future Role:** A pivotal question concerning currency is the evolving role of Nielsen. As streaming platforms and digital content providers continue to invest in high-quality content, the qualitative aspect of advertising sales remains crucial. This supports the notion that Nielsen's historical provision of age and gender-based metrics – ideal for a subjective sale that requires some kind of benchmarkable, industry-standard third-party measurement – can maintain their relevance. While competitors in the measurement space can offer similar metrics, Nielsen's incumbency and cost-effectiveness will likely keep it in a prominent position not least as newer industry players will have an interest in paying for multiple measurement services. How well competitors fare will likely depend on how long the capital they have raised will last and whether they can raise more capital. Moreover, the growing emphasis on privacy should benefit currencies based at least in part on panels, as panel-based measurement aligns well with a privacy-conscious landscape. However, if unified IDs provided by inventory sellers become more prevalent, third-party measurement's advantages may be overshadowed by the complexities of managing spending with individual media companies.

- **Opportunities for Nielsen Competitors:** Competitors to Nielsen have the potential to strengthen their existing positions and discover avenues for growth. For instance, as marketers rely less on age and gender-based metrics, they may become more receptive to trading using data from other companies. Nevertheless, these competitors must ensure they are well-capitalized, with investor expectations aligned with

the understanding that growth may be gradual and require substantial investment over an extended period.

- **First-Party Data:** The emergence of sellers' first-party data as a core element of trading, measurement and currency could be the most significant trend in the currencies of the future. At the same time, if marketers increasingly base their trading decisions on outcomes, which only they possess, it could trigger numerous changes in media planning and buying processes. Most notably, marketers might be better able to purchase inventory without the need for guarantees. Consequently, the concept of a standardized currency may fade, with a greater emphasis on verification of delivery while audience levels, as provided by media owners or third parties, become less relevant. Although cost control measures may limit investment in developing and managing these assets, marketers who embrace this approach will be well-positioned to become performance marketers. However, this shift could come at the expense of supporting brand-building efforts, given the narrower focus associated with performance marketing.

It's going to get messier.
- Senior Executive, Media Owner

Whether we'll start transacting on outcomes rather than exposures, that's yet to be seen.
- Senior Executive, Media Agency

Measurement

Given the changes which are likely to play out in the industry over the next decade, and changes which are harder to anticipate, how might national TV measurement evolve?

- **The Evolution of Age-Gender-Based Buying:** A big question for television is whether age-gender-based buying continues to persist as a dominant paradigm for marketers. Understandably, many of the dominant advertisers on television will still want to effectively reach everyone, and so arguably age-gender is more about inventory prioritization rather than true targeting. Nonetheless, it seems more likely than not that with every passing year marketers will look to apply more data into their plans and their buys, and with every passing year it would seem more likely than not that growing numbers of large brands will stop seeking guarantees from network owners against age and gender, so long as those alternative guarantees are available.

Future Expectations

- **Investments in Assessment and Measurement:** The second significant question revolves around whether major brands will recognize the growing need for increased investment in media and marketing assessment. Costs are only higher in a world with more digital activity, as skills and processes are more difficult to manage than in the world of the past. This need conflicts with the prevailing trend of marketers seeking to cut costs wherever possible. If this trend holds, complex assessments may remain relatively infrequent. However, it's also possible that marketers will be increasingly willing to outsource measurement when bundled with media services. Although it's more likely than not that this would be the individual media owner – conflicts-of-internet and all, and despite what would likely be incomplete data – it's possible that agencies could increasingly do this too, or at least some of them might as part of their existing relationships.

> *Measurement becomes derivative of how inventory is bundled and bought.*
>
> *- Senior Executive, Ad Tech Company*

- **The Rise of Frankenmetrics:** Thirdly, Frankenmetrics are more likely to take on an even greater role than they have today. Marketers who prefer the 'purity' of individual data sets are probably a rare breed by now, but the significant changes in terms of content fragmentation, availability of more addressability, cost controls and all of the other aforementioned trends will cause marketers to view the perfect as the enemy of the good-enough, and morph together data sets wherever they can when those data sets provider better business guidance rather than none.

> *TV measurement as we know it won't look at lot different in five or six years (but) we'll see a radically different set of solutions for outcome-based measurement at that time.*
>
> *- Senior Executive, Media Owner*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