

MEDIA IMPACT REPORT #24

Advertising Ecosystem Updates in an Ever-Changing Marketplace

3.26.2021

TOP 3 THINGS TO KNOW

1

Linear TV is in high demand; plan and secure inventory ahead.

2

Virtual Upfronts will continue through May.

3

Consumer privacy updates are impacting platform targeting, tracking, and measurement.

If you have questions related to anything in this report or previous reports, email us at askmediamavens@rainforgrowth.com and our subject matter experts will answer.





Navigating the Changes in the Market





Robin Cohen
SVP, Group Media
Director

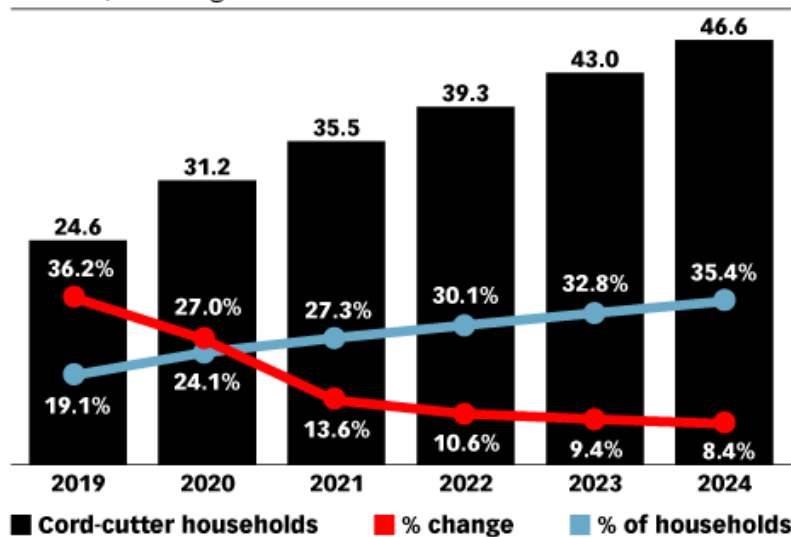
Navigating Marketplace Shifts in 2021

A year ago, due to Covid-19, we saw the continued rise of D2C brands as consumers had less access to retail. Media consumption climbed as people spent more time viewing, listening, sharing, etc. Streaming video grew and Tik Tok now represents the second largest social platform based on time spent. News viewership helped to fuel significant spikes in linear TV consumption.

Post-election, we are seeing linear consumption decline to historic lows. Cord cutting is projected to reach 35% of households by 2024, according to an eMarketer study.

Despite that, demand for TV eyeballs is very high, with retail and major brand advertisers coming in aggressively and creating a highly competitive marketplace. We expect TV CPM increases of 15-30%.

US Cord-Cutter Households, 2019-2024
millions, % change and % of households

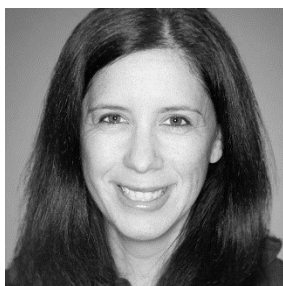


Note: pay TV households are those with a subscription to traditional pay TV services; excludes IPTV and pure-play online video services (e.g. Hulu, Netflix, YouTube, Sling TV, etc.); non-pay-TV households are those that have cancelled their subscription or have never had traditional pay TV services
Source: eMarketer, Sep 2020

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www.eMarketer.com





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How to Navigate Marketplace Shifts in 2021

5 recommendations for navigating the current marketplace:

1. Address linear TV supply crunch by planning and securing inventory ahead to reduce CPM's and guarantee placement and audience delivery
2. Allow for budgets to move fluidly across channels to navigate shifts in inventory and performance
3. Leverage hyper-audience targeting with unduplicated reach to maximize exposure to key audience prospects
4. Test new platforms to broaden reach, allowing consumers to transact in the ways that are most seamless to them, e.g. Facebook and Instagram shops
5. Be ready for new targeting & measurement pivot due to consumer privacy updates such as new DSP tracking, Cohort, Panels, IP, Contextual, 1st Party, MMM and MTA to name a few...

See deep dive on #1 (page 7) and #5 (page 12)





Marketplace Updates: Linear TV Deep Dive





Susan Rupert
VP, Offline Media
Director

Linear TV, A Perfect Storm

What was once a fairly predictable marketplace has turned into a perfect storm of high demand for TV inventory combined with declining viewership levels.

Yes, strange problem, right? Typically, when viewership declines, the marketplace reacts. Big brands reallocate spending elsewhere, inventory opens up, and, in some cases, discounted avails flood the scatter market. This year that is not the case. Many advertisers are spending big to make up for months of retail closures and lost ground in 2020. While eyeballs are getting more expensive, linear tv is still a highly sought after, high reach medium, and demand is not letting up any time soon.

The marketplace went off script back in mid-August '20 when we saw the last of the low rate "COVID deals," with media costs returning to normal levels then increasing week-over-week.

In Q4 '20, viewership levels did not follow normal trends with increased viewing. In many cases, actual viewership was lower than predicted even with highly anticipated events like NFL regular season games, which garnered lackluster ratings.





Susan Rupert
VP, Offline Media
Director

Linear TV, A Perfect Storm (con't)

In December '20, demand continued to remain high even during holiday weeks with very few holiday OTO's or discounted inventory.

That competitive marketplace has continued right on through Q1 of 2021, with more rate increases and some sold out inventory. This high-demand landscape applies not only to the usual suspects of broadcast networks, national cable networks and syndicators, but also across a swath of Diginets (Grit, CometTV, MeTV).

In the past, the Diginets were a source of low-cost inventory, but as those networks have grown in distribution (homes) and content (i.e. Nielsen rated, partnerships, etc.), they are attracting new advertisers and increased demand.

All signs indicate that this is the new normal landscape for linear TV. We expect to see a competitive market well into the next broadcast year.



Susan Rupert
VP, Offline Media
Director

Linear TV, A Perfect Storm (con't)

So, how to prepare for this perfect storm and get the best value for your linear TV investment?

- 1. Advance planning** – Nail down your budget for 2021 and identify upfront (Q4' 21-Q3'22) needs. This allows for early negotiations and top placement with audience guarantees (super important to get the best rates). Reduce reliance on scatter market, where rates will be very high.
- 2. Flexibility** – Keep a constant pulse on the market including daily network updates to manage clearance and understand where better deals can be found. Move spend where necessary.
- 3. Diversified schedule** – Balance many high performing networks (GRP/CAC) and reduce reliance on just a few.
- 4. Consider Digital Video** – Plan video holistically and plan to shift allocations between linear and digital video to maximize audience reach and efficiency.
- 5. Trusted measurement plan** – Set a scorecard with target KPI's and a combination of short-term signals (GRP, CAC) and medium-term modeling (WaveCast, MMM) to measure success.

With smart planning and a consistent approach to your business, we can ensure an efficient and successful media year for all.





2021-2022 Upfront Updates

- Upfronts return to their regularly scheduled time of year, but presentations remain virtual
 - 3/3: A&E Networks
 - 5/14: FOX Network
 - 5/18: 4pm EST Disney – for the first time Hulu will be presented along with ABC, ABC News, Disney Channels Worldwide, Disney Digital, ESPN Networks, ESPN+, Freeform, FX Networks and National Geographic Channel
 - Given Hulu's participation in the upfront, they will no longer be part of the digital media NewFronts scheduled the week of 5/3
 - 5/19: Morning Warner Media will give their upfront presentation
 - They are expected to give a sneak peek at the ad-supported tier of HBO Max
 - 5/19: Viacom CBS
 - Content will include CBS, Viacom cable properties (i.e. MTV, Comedy Central, etc.), and the newly rebranded Paramount+
 - NBCU has yet to announce an upfront date, however they are hosting a One21 event on 3/23, which will highlight the capabilities of Comcast, NBCU and Sky
- Separate from the traditional upfront presentations, several network groups are holding presentations to highlight the use of data, advanced audience analytics as well as highlighting programming genres like sports offerings.



Consumer Privacy Updates & Implications





Jennifer Eenigenburg
VP, Digital Media Director

What is the Future of Advertising?

Given recent announcements from Google, Apple, and government regulators, many of our clients have been asking: **What is the future of digital and addressable advertising?**

Huge changes are happening now – and will be activating in the near future – drastically altering the landscape as we know it.

Here are key takeaways every marketer should know to be prepared.

What major changes are happening?

The marketplace is evolving to enable more user privacy

Government Regulation

New and re-introduced state-level bills

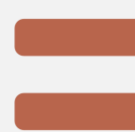
Potential federal legislation



Industry Self-Directed Changes

Google Chrome 3rd party cookie deprecation

Apple IDFA opt-out with iOS 14.5 release



AdTech & Marketer Responses

Evolution of audience targeting, tracking, and measurement capabilities



Government Regulation

New and re-introduced state-level bills

California

The California Privacy Rights Act (CPRA) enhances the current CCPA; most of the CPRA provisions take effect January 1, 2023. Notable changes with CPRA include:

- New criteria for which businesses are regulated
- New and expanded consumer privacy rights
- Regulates the sharing of PI for cross-context behavioral advertising
- Creates a new privacy enforcement authority

Virginia

The Consumer Data Protection Act (CDPA) was signed into law on March 2, and goes into effect January 1, 2023.

- Like both GDPR and CCPA/CPRA, it does apply to businesses located inside and outside of Virginia, if they meet the thresholds and target Virginia consumers
- The Act includes requirements for businesses to provide a privacy notice for personal data usage with the ability to opt out of targeted ads

Coming soon:

Legislation is being proposed in Washington, Florida, Texas, and Illinois, and is also expected at the federal level.





Two major updates are in progress:

#1 Google Chrome will block 3rd party cookies by 2022

- Cookies are one of the primary ways digital platforms track users on the web for targeting and measurement.
- This change will have major repercussions for the entire digital ecosystem and will require innovative replacements and re-evaluation of approaches to digital marketing.
- Safari and Firefox already block 3rd party cookies by default – but have smaller browser market share.

How many devices will this affect:

Almost half of the U.S. - and more than 60% globally – use Chrome as their browser of choice.

WHAT IS A COOKIE?

A cookie is a text file stored on a user's browser. Cookies allow a website or platform to store information and later retrieve it.

Third-party cookies are those **created by domains other than the one the user is visiting at the time**, and are mainly used for tracking and online advertising purposes



#2 Apple will limit the use of the IDFA

- With the release of iOS 14.5 early this year, iOS users must explicitly give consent to be tracked (the default will be opt-out). Paid advertising stands to suffer significant disruption.
- Apple has the highest mobile operating system market share in the US and changes in terms of marketing to iOS users are expected to be significant, particularly for reporting, attribution, and targeting.



New iOS 14 prompt will ask for permission to track

How many devices will this affect:

- Almost **59% of mobile devices use iOS**
- iOS 14.5 will likely get adopted quickly to **50% of Apple devices within a month**
- **Opt-in rate is estimated to be around 10%** after the release

What is the IDFA and why does it matter?

What it is: Apple will require that apps ask permission from users to use their IDFA (Apple's Identifier for Advertisers) sometime early this year.

Why it matters: This will limit the ability to target and track performance in Apple mobile app environments using IDFA, with opt-in rates estimated to be around 10% (with around 60% of mobile devices using iOS).

Who it will affect: Media vendors/data partners/mobile measurement partners who use the IDFA for media served in-app environments.

AdTech Updates

How the AdTech landscape is evolving

Google

Google is developing solutions for tracking on Chrome through its **Privacy Sandbox – including FLoC and TURTLEDOVE**

- With these workarounds, the Chrome update will likely have lower impact on Google's O&O products
- iOS 14.5 change will impact Google products that touch mobile app inventory – Google Marketing Platform products have adopted modeled conversions to help account for this
- Google announced earlier this month that 3rd party data will not be supported across the Google Marketing Platform as it plans to adopt these new solutions

Note: Attorneys General from 14 states and Puerto Rico are calling Google's plan for FLoC anticompetitive in an amended antitrust complaint filed on Tuesday.

Use Case	Privacy Sandbox Proposed Solution	Status
Contextual and first-party-data targeting	N/A: Fits into the new privacy proposal <ul style="list-style-type: none"> • It only requires first party information about the page that the user is viewing or about that user's activity on their site 	No change planned
Interest-based/behavioral targeting	FLoC (Federated Learning of Cohorts) <ul style="list-style-type: none"> • Rather than 1:1 targeting, a FLoC cohort is a group (thousands) of people, derived by the browser from its user's browsing history. The browser updates the cohort over time as its user traverses the web. 	Google reported success with alpha testing; beta testing to commence early this year
Retargeting	TURTLEDOVE (Two Uncorrelated Requests, Then Locally-Executed Decision On Victory) <ul style="list-style-type: none"> • The browser, not the advertiser, holds the information about advertisers the user has expressed prior interest in, and information about the current page the user is on. 	First experiment (FLEDGE) is planned for this year; TBD if other browsers will participate



AdTech Updates

Apple

Apple has created new frameworks for tracking users who have opted out of IDFA tracking – **SKAdnetwork and Private Click Measurement (PCM)**

- AdTech vendors can integrate with these two solutions to receive information from opted-out iOS users for their campaigns
- These preserve user privacy while giving some information – albeit limited – back to advertisers

The below table below illustrates the new Apple attribution methods under iOS 14.5

Conversion Path	Touchpoint Type	Attribution Framework
Web-to-web	Click	PCM (Apple's privacy click measurement)
	View	X (no current solution)
App-to-app, initial install	Click	SKAdNetwork (Apple's solution for privacy-preserving mobile install attribution)
	View	
App-to-app, re-engagement	Either	X
App-to-web	Click	PCM
	View	X
Web-to-App	Either	X



AdTech Updates

Paid Social Platform Updates

Platforms are making changes in response to the upcoming IDFA change, as many users access the platforms via mobile apps.

Read [our initial agency POV](#) here

- Facebook
 - To enable ROAS reporting for opt-outs, advertisers need to enable Value Optimization for Purchase events under Aggregated Event Measurement; this will occupy 4 events of the 8 available
 - 28-day click, 28-day view, and 7-day view windows are no longer supported under Facebook's new ad set level attribution setting
 - The new default attribution setting for ad sets is 7-day click / 1-day view; the default will change to 7-day click once iOS 14.5 is released. **View-based attribution will not be available**
- Snapchat
 - Creating new Advanced Conversions methodology for app-to-app and app-to-web conversion tracking
 - **Lookback window options will change to remove 28-day view and hourly view**
- Pinterest
 - Will not be using or collecting IDFAs and has removed mobile app install ads, which use IDFAs, and is evaluating Apple's new measurement frameworks
- TikTok
 - Recommending app advertisers make updates to Mobile Measurement Partner (MMP) SDK to support Apple's SDApNetwork API and complete event configuration in the MMP
 - Also recommending dedicated iOS campaigns for App Install and Catalog Sales objectives; some campaigns will require an additional TikTok App ID

Across platforms: Reported conversion volume will continue to decline once the Apple release is deployed. This will also be felt across all digital platforms with app inventory as users opt out of allowing the use of their IDFA.



AdTech Updates

Alternative User Tracking Solutions

Vendors are developing solutions for other identifiers outside of cookies and the IDFA to enable user tracking.

- User-Enabled Identity Tokens
 - This includes the use of encrypted PII data that consumers opt into providing, such as an email address, typically as part of a value exchange to allow online publishers or marketers to offer personalized content or services
 - Examples include **The Trade Desk's Unified ID 2.0 solution** and **LiveRamp ATS** (Authenticated Traffic Solution), which are currently being rolled out for use and testing
 - Scale of these solutions is still to be determined, but will give advertisers additional data points to model performance
 - Cross-device graphs are now being used to match these new signals to traditional ones (e.g. the cookie)
- Other solutions include **cohort targeting** (such as Google's FLoC proposal), **panel-based measurement**, utilization of **IP address**, and **contextual** signals.
- The China Advertising Association (CAA) has recently developed and rolled out its **China Advertising ID (CAID)** for use as a replacement to the IDFA. However, it relies on device fingerprinting and this technique is not allowed per Apple's policies; Apple will need to decide how to respond, which may impact its business in China.



Impacts to Marketers

As a result of these changes, we expect major impacts on targeting, tracking, and measurement – advertisers can expect to:

- See **fewer** reported/attributed conversions due to users opting out and platforms making changes in response to iOS 14.5
- Rely **more** on **modelling** to compensate for “lost” conversions
- **Lose** targeting and engagement **data** from iOS users
- See continued rise **of cohort-based targeting** to maintain user privacy
- Use alternate solutions to maintain addressability along the lines of LiveRamp ATS and Unified ID2.0
- Have greater **reliance on ad context**, like the good old days!
- See shift in targeting type effectiveness
- Observe varying degrees of impact at the platform level, proportionate to their reliance on IDFA

Steps to take now:

Use your 1st party data

- Utilize an onboarding platform such as LiveRamp and maximize 1st party data utilization
- Ensure you have the proper consent and privacy policies in place

Opt into new tracking solutions

- Activate conversion APIs and ensure site tagging is updated per platform recommendations to maximize data capture
- Test into emerging vendor solutions and evolve campaign targeting tactics

Update owned mobile apps

- Apple's Data Nutrition Label requires all apps to submit information about data collection practices via Apple's App Store Connect
- Apple Tracking Transparency Prompt requires apps to ask users for permission to track across third-party apps and websites with iOS 14.5

Measure holistic performance through new methods

- Forecast platform metric changes and develop a roadmap to use other attribution solutions to see the true value of your digital channels (beyond flawed last-touch signals) – **Rain MMM, WaveCast and MTA can provide this insight.**

Watch for developments that will further impact the marketing ecosystem.

Your Rain team can help navigate these changes.





FOR MORE INFORMATION



Robin Cohen

SVP, Group Media Director

robin.cohen@rainforgrowth.com



Jennifer Eenigenburg

VP, Digital Media Director

jennifer.eenigenburg@rainforgrowth.com