No. 58 | September 26, 2024

MEDIA IMPACT REPORT

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>
> —NBCU Chairman of Global Advertising and Partnerships, Mark Marshall

/BRIEFING ROOM

2024 Broadcast Upfronts Recap

By Staci Otterson, Vice President, Integrated Media Investment

The 2024 broadcast upfronts have wrapped up, with the major networks presenting four trends of note for advertisers:

1. Linear TV rates of change (outside of sports) are flat to negative in most areas including primetime, daytime and news.
2. Sports volume and CPM increases represented the main increases in linear TV.
3. Linear TV volume will likely remain flat as in 2023 with networks giving larger CPM rollbacks in exchange for additional dollar commitments.
4. Streaming volume is up and helping to drive overall upfront YOY growth, as CPMs drop slightly given the increased impressions networks have to sell.

Networks have stated that volume is up YOY but digital and live sports are what is driving this increase. Specific network updates:

ABC/Disney

- Volume and revenue are up 5% for linear/streaming YOY.
- Sports are up 15% in part due to soaring women's sports commitments which grew by "triple-digits" from last year's upfront.
- Steaming, specifically Disney+ and Hulu, are up 10% YOY, though CPMs are down.
- With no mention of linear TV only numbers, it's likely that outside of sports there is flat to minimal growth in volume YOY.
- Linear TV rate of change in daytime, prime and news are flat.
- Sports rate of change came in at +3-7% depending on sport.
- In some linear dayparts revenue could be getting a boost from stronger ratings.

CBS

- While there have not been any official announcements yet, our discussions with them mirror what we've seen across the other networks.
- Rate of change came in negative for prime, news and daytime, with small single digit increases in sports.
- Paramount+ reportedly sold over $1 billion in upfront commitments.

FOX

- Fox Prime upfront volume is reportedly up YOY, seeing increases in ad commitments to both linear and Tubi.

- Sports saw a double-digit percentage increase in volume, no doubt boasted by Fox's 2025 Super Bowl LIX. Fox claims 70-80% of 2025 Super Bowl units have already been secured in the upfront, with match spend fueling additional sports ad dollars.

NBC

- Rate of change also flat to slightly negative in prime, news and daytime depending on the volume of deals.
- Sports again is the area with slight CPM gains this year in the low to mid-single digits depending on the sport.
- NBC upfront volume is reported to be similar to last year with "modest" growth predominantly fueled by live sports, most notably the NFL and digital.
- Digital volume is up significantly, with reports of double digit YOY growth in sports digital commitments.
- NBC's Small Medium Business Growth Team reported upfront commitments up 50% YOY by DTC advertisers.
- Peacock emerged with its highest upfront to date, with commitments reported up 40% over the past three years.

NBCU Chairman of Global Advertising and Partnerships, Mark Marshall, commented, "The upfront used to be do-or-die—you needed to hit the numbers or your year was in trouble. Now, it's the starting point of the race, and programmatic and scatter follow up behind it. It's a different mentality for the marketplace."

Upfront 2024 - 2025

	Ad Spending	CPMs
Broadcast Networks	-3.4%	-5.6%
Cable Networks	-4.8%	-6.8%
Total Linear TV	-3.7%	-5.8%
Streaming	+35.3%	-16.7%
Total TV	+8.1%	-9.8%

Source: Media Dynamics

What Does This Mean for the Scatter Marketplace?

For advertisers looking to secure inventory in the scatter marketplace, impacts will be dependent on a number of factors including how the economy fares over the next few quarters. But, unless there is a significant increase in scatter volume YOY, it should be expected that we will see a similar linear marketplace as we head into the 2024/2025 broadcast year as long as linear ratings remain strong.

As of now firesales and scatter inventory are not as open as they were in Q4 of 2023 or Q1 of 2024 but there are still some good deals to be had.

/UPDATES

Fubo Throws the Red Flag on New Sports Streaming Service

By Mark Brown, Executive Lead

It was only back in February in ***Media Impact Report #52*** that we shared the news that Warner Bros. Discovery (WBD), Disney, and Fox had joined forces to create a new sports streaming service that they dubbed Venu. The service was scheduled to launch now, in time for the height of the sports season with the kickoff of the NFL and college football seasons and MLB and WNBA post-seasons, followed closely by the start of the NBA and NHL regular seasons. A lot can change in just a few months.

Not long after the joint venture was announced, competing sports streamer Fubo sued Venu on antitrust grounds, citing they were, "... limiting competition, removing consumer choice, and ultimately leading to steep price hikes for consumers and boosting profits for the partners." On August 16, a U.S. District Court granted Fubo's request for a temporary injunction blocking the service from launching. Venu has since appealed that ruling and requested an expedited decision to remove the injunction because they are "losing tens of millions of dollars...and consumers are denied access to the innovative new product that Venu would have provided."

Venu was hoping for the quick ruling so it could still capitalize on the critical fourth quarter demand for sports, but it does not look like they are going to win that coin toss. A trial has been set for October 2025, which could last three to four weeks, so consumers may not have the option of subscribing to Venu until well into next fall's football season—if the service even exists at all by then.

The Fubo lawsuit is not the only issue that Venu is facing. One of the main joint venture partners is WBD, included primarily due to their rights to NBA Basketball. But when the NBA announced their new 11-year media rights contract, WBD (owner of Turner Sports) did not make the cut. WBD has also "lawyered up" and is suing the NBA to reclaim those rights, arguing that the NBA denied them the opportunity to match a competing offer. Unless WBD is successful in their lawsuit, they bring minimal value to the Venu partnership. So even if the courts rule that Venu can move forward, their consumer offering is less enticing than it appeared when they announced just six months ago.

Fubo has argued that the more competitive approach to the marketplace is for each network to offer their own standalone streaming services. WBD already has that in Max, and Disney has announced that ESPN will have direct-to-consumer (DTC) offerings on the market next fall. That leaves only Fox Sports without a DTC offering, but don't be surprised if they are scrambling to remedy that given the precarious future of Venu.

If Fubo's lawsuit succeeds, Venu will cease to exist before it even began. While that will be a tough blow to Disney, Fox, and WBD - the big losers will be sports fans, especially those who have made the shift to streaming. Today, fans must navigate a myriad of platforms—both linear and streaming—to watch the sports and teams they love. Venu wasn't the perfect solution—it excluded major sports coverage from Paramount/CBS and NBCUniversal—but it was a step in the right direction of consolidating and simplifying the streaming sports landscape. For now, the future of streaming sports lies in the hands of the U.S. District Court.

/UPDATES

YouTube Video Action Upgrades to Demand Gen Campaigns

By Elliott Nelson, Senior Specialist, Paid Search & YouTube, & Jacob Simonich, Associate Director, Paid Search

In Q2 2025, Google Ads will upgrade YouTube Video Action Campaigns (VAC) to Demand Gen, with upgrades to inventory, reach, creative flexibility and enhanced audience targeting across YouTube, discovery and Gmail. The shift is aimed at enhancing advertisers' ability to capture emerging demand and drive growth in a multi-format approach.

What is Demand Gen?

Demand Gen will supersede VAC formats like Performance Max did with Smart Shopping. This change represents another step in the consolidation of Google's suite of campaign types and the development of another heavily AI-driven campaign type.

Demand Gen will inherit VAC's ability to optimize toward conversions or conversion value while adding the capability to optimize toward clicks. Both the name of the campaign type and the ability to optimize toward clicks signal that this campaign may target higher in the funnel than VACs.

It will be the only Google product to leverage lookalike audience targeting, emphasizing the importance of first-party data. While it's not new for first-party features to emerge, this could be a double-edged sword for advertisers. On one hand, it's exciting to have lookalike audiences back to target high-intent users after their use was sunsetted in spring of 2023. On the other hand, arguably the most sought-after feature will not be able to be used as intended without high-quality first-party data, which should be a consideration when planning to test Demand Gen campaigns.

Testing into Demand Gen

Moving forward, Rain the Growth Agency recommends VAC-heavy advertisers start testing Demand Gen with video assets only to familiarize themselves with how to use this campaign type's unique features to positively impact their business results.

Within YouTube inventory, advertisers can set creative surface preferences between YouTube Shorts, In-Stream, and In-Feed to increase the likelihood of serving in the desired surface. VACs did not give advertisers the ability to select which format they would prefer to serve on. This new ability for conversion-focused video campaigns paves the way for impactful creative strategies, such as introducing your brand to a new audience on Shorts while converting on that new awareness with In-Stream and In-Feed inventory.

Once comfortable with Demand Gen's features on YouTube, advertisers can opt to include image assets, which can serve as carousel or image-only ads. For advertisers with a robust social media strategy, this presents an intriguing possibility in that Google's visually rich approach to Demand Gen can be a complement to their social media strategy.

Our teams firmly believe in testing Demand Gen to give our clients a head start in leveraging these tools and understanding their impact on their business to drive stronger, more efficient results before competition catches up.

This latest update represents a strategic move to meet evolving consumer expectations following ad format and inventory preferences.

The timeline for the change follows suit:

- **Early 2025:** Google will launch a migration tool for manual upgrades from VAC to Demand Gen.
- **March 2025:** Google Ads will disable creation of new VACs.
- **Q2 2025:** Automatic upgrades of all remaining VACs to Demand Gen will occur.

/NOTEPAD

6 Factors Affecting the Q4 Marketplace

By Michelle Fallon, Senior Vice President, MMSI

1. Declining response rates in Q2 were a global issue, not campaign-specific.

However, response rates have rebounded +11% in July and another +2% in August and are trending flat for September. Unfortunately, response rates are still down about 34% YOY even with the rebound in July and August. *Source: Rain the Growth Agency Tracker™*

2. 2024/2025 upfronts drove 8% more overall dollar volume ($29.5 billion); however, linear TV volume fell 4% at $18.4 billion.

Streaming revenue drove the increase up 35% on premium platforms such as Disney+, Max, Peacock. The decline in linear TV volume could indicate a marketplace similar to what we saw in 2023/2024 with firesales and open inventory as long as ratings remain strong.

3. According to Vivvix, total political ad spending on linear TV increased by 120% in August versus the average monthly spend year-to-date in 2024, and is expected to continue to increase as seen in 2020.

In August, national spend is approximately 30% of overall political ad spending while local spending saw a month-over-month decline from July to August of -21%. This is a departure from previous years and months past of spending less than 10% of ad dollars in national linear TV media. Ad spend historically does not pick up until September. 73% of presidential nominee spending in August is from the Harris for President campaign.

4. Also according to Vivvix, the number of general advertisers in the linear TV space is up 32% YOY, but ad spend is relatively flat (+6%).

This will be something to watch as we head into 2025 with overall linear TV spending projected to decrease by -13.3%. This usually indicates an opportunistic marketplace but the increase in advertisers, especially pharmaceutical advertisers, may make the marketplace more competitive.

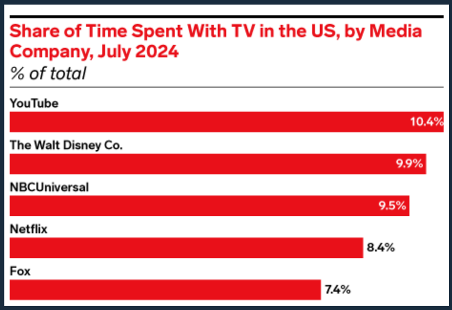
5. With inflation cooling, there is revived optimism that a recession will be avoided; however, consumers are still spending cautiously due to the cumulative rise in costs since the start of COVID.

Fresh data reveals that shoppers have become more price-sensitive recently even as inflation has cooled, at least partly because their COVID-era savings have dwindled. *Sources: Axios, Statista, USA Today*

6. The 2024 Paris Olympics delivered viewership 13% higher on average compared to 2021.

While the increase in viewership was helpful, it was concentrated to the NBCU networks and viewership was still down -7% in broadcast and -9% in cable compared to the pre-Olympic time period.

/QUICK HITS



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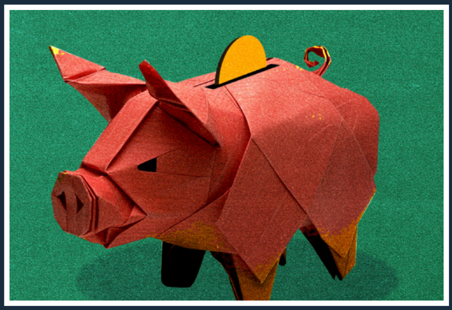

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Need More Guidance?

Steve Miller
Client Development Director
steve.miller@rainforgrowth.com

Robin Cohen
EVP, Integrated Media Investment & Planning
robin.cohen@rainforgrowth.com

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