

US Advertisers - And Consumers - Still Spending in Spite of Economic Uncertainty

As the US still grapples with inflation challenges and recent bank collapses, many are struggling to see 2023 as getting off to a strong, positive start.

Make no mistake: Advertisers are still feeling the effects of these factors and much more, however, early 2023 data suggests that many are still moving forward with their ad spending plans, and in some cases, at levels even greater than 2022. According to our March 2023 Macroeconomic Effects and Perceptions Study, a third of US advertisers reported plans to increase their ad budgets this year, with an added 1 in 2 planning to maintain. Just 14% reported plans to reduce their overall 2023 ad budget compared to 2022.

And advertisers remain relatively optimistic the business climate in the US will hold or improve through April 2023. In the same survey, 2 in 5 said they expected the general business climate would improve for their company over the next three months, with a similar portion anticipating it would maintain. A minority (18%) predicted it would deteriorate.

THE BOTTOM LINE: Regardless of all the negative news, advertisers are still moving forward with a positive attitude. Yes, roughly half still report having paused or pulled ad budgets or planning to in the near term, but many of those advertisers move on to reallocate funds to higher-performing media. As a media seller, are you doing all you can to be the recipient of those funds?

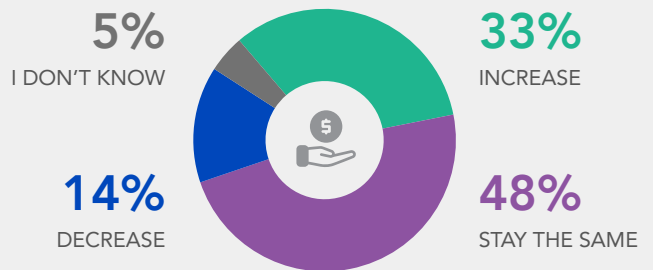


LAUREN FISHER

General Manager, Business Intelligence,
Advertiser Perceptions

One in Three Advertisers Expect Their 2023 Budget Will Be Greater Than in 2022

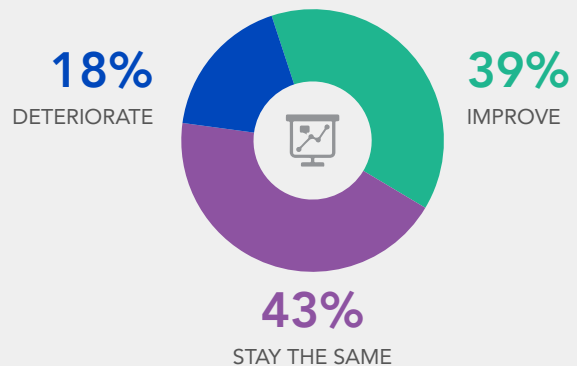
Expected Overall 2023 Ad Budget Compared to 2022



Source: Advertiser Perceptions Macroeconomic Effects & Perceptions Study, March 2023

More Than 4 in 5 US Advertisers Predict a Stable-to-improved Business Climate Through April 2023

Business Climate, Next 3 Months



Source: Advertiser Perceptions Macroeconomic Effects & Perceptions Study, March 2023



2023 Retail Sales: A Positive Start to 2023

Advertiser Perceptions' perspectives on quarterly earnings, the economy and what it means for your business from our head of forecasting, Eric Haggstrom

The Census released new estimates for retail and restaurant sales in the US. Retail sales came in relatively strong in February, with sales in the month growing 4.2% YoY. A significant amount of this growth is due to inflation, but consumers did decide to spend 4.2% more in retail stores this February than last February. Non-store retailers (mostly pure-play ecommerce retailers) grew 8.5% YoY, which is roughly in line with growth over the prior few months. And restaurant sales grew 15.1% YoY.



4.2%

Growth in US retail sales,
Feb 2023 vs. Feb 2022

Source: US Census, Feb 2022

WHAT IT MEANS: Consumer spending is still relatively strong. Despite recent layoffs in certain sectors, consumers are spending more on retail than they were last year. They may be spending more to buy a similar amount of goods, but they are still able and willing to spend more. Retailer margins are the main macro issue that is impacting ad spend from the industry, rather than consumer spending.

Pure-play ecommerce is growing both in dollars and share. Again, these companies may be struggling with margins, but consumers are spending more online now than they ever have. Attracting ad dollars from these ecommerce companies is more important than ever.

PART 1

CTV Sees Renewed Momentum, Just in Time for the 2023 Upfronts

Last year, we saw an initial softening of connected TV (CTV) ad spending around mid-summer as advertisers began to shuffle funds between channels in search of higher-performing media.

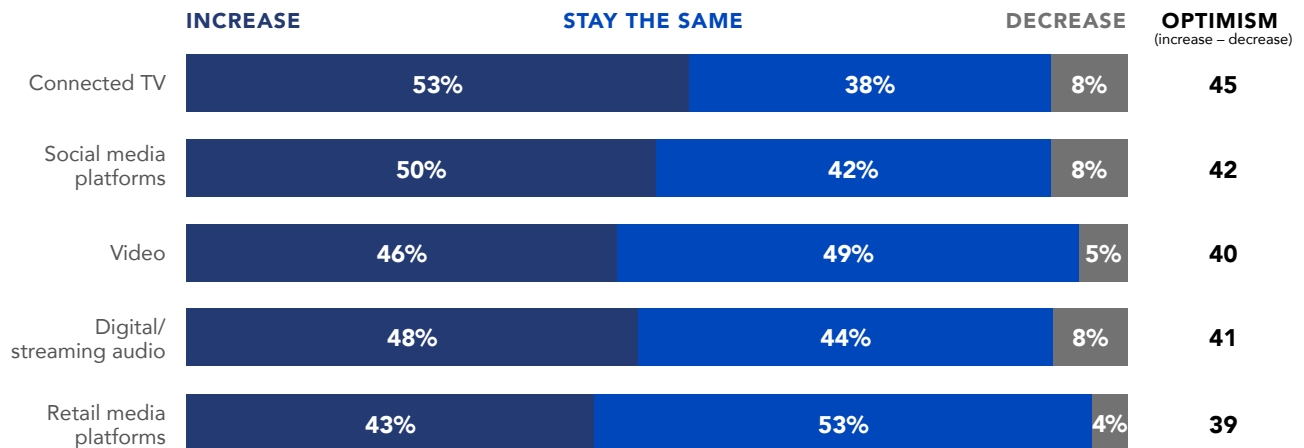
Now that advertisers have adjusted to the economic landscape, they are reprioritizing brand advertising which took a back seat earlier in the downturn due to harder-to-prove ROI, and this includes CTV. Advertisers can no longer sit on the sidelines as consumer time spent with streaming continues to grow. Consumers and advertisers have more options than ever before with the recent launch of highly anticipated ad-supported tiers from Netflix and Disney+, along with the growing FAST category. And with CTV spending still undersized relative to the amount of time consumers spend with it (vs. say, linear TV), this channel is once again a prime area for investment.

Our March 2023 Macroeconomic Effects and Perceptions Study found CTV advertising is now significantly more likely to benefit from reallocated ad budgets vs December 2022. 1 in 3 advertisers said they were increasing spending with CTV because of the macroeconomic environment, a portion that was up significantly vs. December 2022.

At a higher level, CTV advertisers largely plan to increase or maintain investment with this channel. Nearly half of advertisers also plan to invest more in other wide-reaching and upper-funnel channels like social media platforms, video and digital/streaming audio.

Half Of US Advertisers Will Up Their Investment in CTV and Social Media Platforms in 2023

2023 Expected Change in Ad Spend by Media Type Compared to 2022 | Sorted by Optimism



Source: Advertiser Perceptions Macroeconomic Effects & Perceptions Study, March 2023

Advertisers aren't backing down from ad spending, and the early 2023 focus on driving brand awareness and taking advantage of wide-scaling channels is noteworthy. While advertisers will continue to shift dollars to high performing media, it's important to remember that this doesn't necessarily mean lower-funnel media. Helping advertisers to more accurately and easily value their brand efforts can keep high impact ad dollars flowing to media sellers.

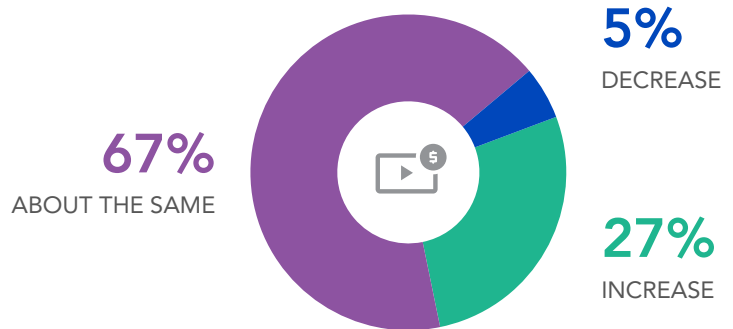
2023 Upfronts: AP Predicts Similar Spend to '22 With CTV Ads Playing a More Prominent Role

2022 proved a banner year for the Upfronts. Our 2022 Upfront/NewFront Report found more than half of US advertisers increased their Upfront ad spending, a big jump over the prior year when the ad marketplace was still feeling the lingering effects of COVID.

As we enter the 2023 Upfronts and NewFronts season, advertisers will maintain those jumps made last year. Our February 2023 Omnibus found two-thirds of US advertisers planning to attend the Upfronts or NewFronts this year anticipated spending about the same, with roughly a quarter planning increases to their ad budgets.

After Bullish Increases in 2022, Most Advertisers Expect Their 2023 Upfront Spend to Remain the Same

Change in Video Ad Budget for **2023** Upfront
Negotiation Period Compared to 2022



Source: Advertiser Perceptions Omnibus, February 2023

“We expect the upfront negotiation period to be highly competitive, with buyers having the upper hand. Brands and buyers will have to determine the value of buying advertising upfront in an uncertain economic landscape. And with new entrants, advertisers can spread out spend across more platforms. Publishers can win dollars by offering flexible terms and transparent campaign guarantees.”



Erin Firreno

VP Business Intelligence
Advertiser Perceptions,

And once again, we anticipate CTV will take a more central focus in this year's discussions as advertisers expect media partners to offer combined packages that offer them incremental access to audiences across multiple screens. On average, US advertisers anticipate 2 in 5 Upfront dollars will go to CTV this year; however agencies are significantly more likely to invest vs. marketers.

For media sellers gearing up for the Upfronts and NewFronts, now is the time to craft an Upfront message that highlights:

- **A clear company roadmap** - that aligns your investments and future-focused initiatives directly with advertisers' key objectives.
- **Flexibility** - advertisers will appreciate partnerships that allow them to be nimble.
- **The Upfront promise** - high-quality video inventory is scarce, and upfront buying is key.
- **Cross-channel opportunities** - that combats audience fragmentation, delivers new audiences, and builds scale.

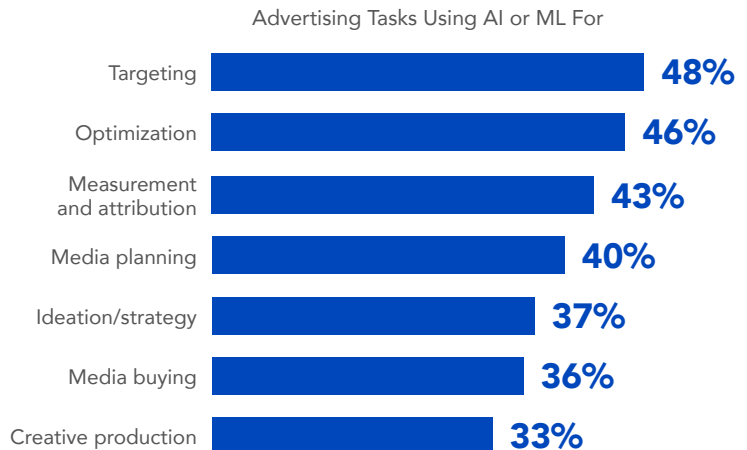
The AI Evolution - Advertisers More Likely to Make Use of AI for Optimization vs. Measurement or Creative, at Least for Now

It wouldn't be an industry newsletter if we didn't at least discuss AI in some form!

Kudos to ChatGPT, an artificial intelligence chatbot that exploded in popularity and use early this year among businesses and consumers. It has many advertisers thinking, some even fearing, what the future of advertising might look like as we lean more heavily on machine-learning and algorithms to do everything from campaign optimization to content creation.

But this and other forms of AI (beyond the traditional forms that have been utilized for bid optimizations for years) are just beginning to become more frequently integrated into existing advertising practices. Our February 2023 Omnibus found only half of US advertisers were using some type of AI or machine-learning, with targeting and optimization applications the most common.

AI/ML Most Often Used for Targeting & Optimization, Less So For Measurement and Creative



Source: Advertiser Perceptions Omnibus, February 2023

As signal loss and digital identifier deprecation continues, advertisers are eager to use AI and ML to augment their measurement and attribution, however, only a small portion of advertisers are doing this today. The same is true of its use for creative production, though the opportunities for using it in this way are substantial.

For media sellers, now is the time to be thinking about the role AI and ML can play in improving your ad offerings for clients and augmenting your own efforts. Know it's still early - advertisers largely feel they still lack the education needed to make the most of this technology - and understand they will need clear communication on what tools are offered and how they work.

FINAL THOUGHTS

As we march toward mid-year, know that advertisers are generally viewing the year with positivity and looking for partners to do the same. Continuing to highlight offerings and capabilities that set you apart and drive ad results - however advertisers define them - will remain central to maintaining a healthy position in the marketplace.



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