

Mediaocean's

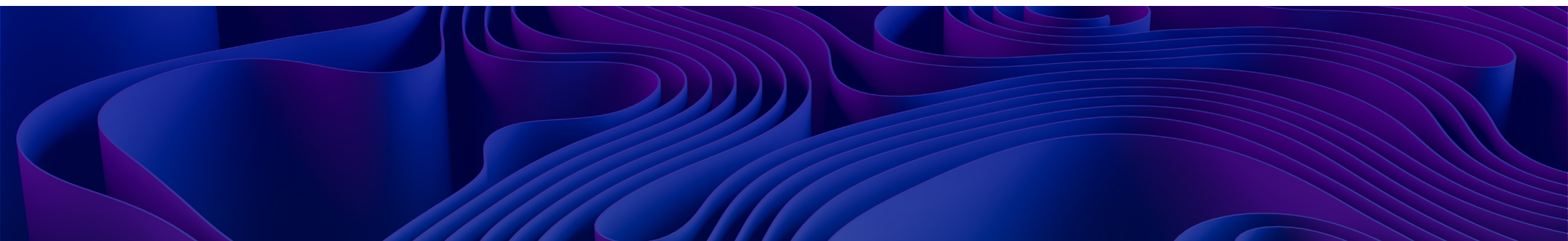
2022 Market Report and 2023 Outlook

Using data gathered from 600+ leaders at advertising agencies, tech companies, and media providers, this end-of-year report features insights on marketing trends set to impact the coming year.



Table of contents

Introduction	3	Insight #3: Cognitive dissonance on privacy	11
Foreword by Joanna O’Connell	4	Insight #4: Secular trends in TV ad spend continue—with a notable caveat	12
Executive summary	6	Insight #5: Brand safety concerns persist	13
Insight #1: Marketers still love social, but the relationship is complicated	7	Conclusion and Methodology	14
Insight #2: Upper-funnel advertising may outperform investment expectations amid economic headwinds	9	About Mediaocean	15



Introduction

Thank you for reading Mediaocean's 2022 Market Report and 2023 Outlook. These insights reflect input from more than 600 customers and partners, focused on key media and technology trends along with 2022 projected marketing investments. We primarily surveyed marketers and agencies, but also included perspectives from media companies, measurement firms, tech platforms, and other industry cohorts.



Foreword by Joanna O'Connell

Almost unbelievably, 2023 is upon us.

And the pace of change in digital marketing feels faster than ever. Why? Because it is. Consumer behaviors and attitudes continue to evolve. Some new behaviors, like the rapid and ongoing adoption of streaming, are the new normal. The purchase lifecycle, once considered an immutable process of “discover, engage, purchase”, has both collapsed and shape-shifted in a world of video- and social-powered commerce. The legislative and regulatory privacy landscape is active and developing in an unprecedented way. And the notions of what’s possible in a web 2.0 world are being challenged daily.

Overlay all of these developments on a backdrop of a multi-year pandemic, economic and political upheaval, and other global forces, and it’s clear we all should be sitting up and paying attention as we head into the new year.

Admittedly, when things are uncertain, it can feel safest to entrench and stick with what we know. (What’s the famous phrase? “Nobody ever got fired for buying IBM.”) But what’s really important here is our point of focus—which, I would argue, **MUST** be on the consumer. A healthy relationship among brands, publishers, and consumers create a sustainable advertising and marketing ecosystem. And we’ve gotten out of balance over the last few years, arguably, to the detriment of consumers and the consumer experience. It’s time to rebalance.



With that said, here are some things I’m excited to see get traction in the coming year:

- How we change the privacy conversation—from one of “risk mitigation” through compliance to smart, sustainable business practices that reward transparency and a clear value exchange. This means that we as an industry need to graduate past thinking of this moment as a cookie problem, up our games when it comes to consumer data collection and management and spend more time on connecting media and message.
- How we avoid the trap of treating streaming TV and video advertising as a “find/replace” for broadcast television. That is, how we push ourselves to think beyond the 30-second spot and traditional ad pod model to deliver video ad experiences that modern consumers not only choose not to avoid but might actually enjoy!

Foreword by Joanna O'Connell (continued)

- How we close the gap between ad exposure and consumer purchase to make it as simple and seamless as possible for consumers to learn, laugh, and buy on their terms, whenever and however they want. This necessitates seamless back-end processes, connected systems, and organizational will to make “commerce everywhere” a reality.
- How we rethink orchestration and measurement in the era of signal loss and media platform fragmentation. Seamless, cross-channel, person-level frequency management and ad sequencing always sounded like the right end goal, but we over-rotated, and advertising became intrusive rather than helpful. So it's time to challenge our conventional wisdom. Optimizing the consumer experience is still critical and understanding how marketing contributes to business growth is vital - but perfect may be the enemy of good going forward.

So as you read through this year's 2022 Market Report and 2023 Outlook and use it to help inform your thinking and decision-making heading into 2023, I hope this framing is a helpful guide.

Joanna O'Connell



Joanna O'Connell, independent industry analyst and data-driven advertising expert, has more than 20 years of experience in the ad industry and has served as a pioneer throughout. She started her career at agency Avenue A, co-founded Razorfish's agency trading desk, built the research practice at trade publication AdExchanger, served as CMO of global ad tech company MediaMath, and led programmatic and omnichannel advertising research for Forrester Research. She holds a BA in psychology from Vassar College.

Executive summary

2022 has been a year of surprises for brands, agencies, and other key players in the advertising economy—not all of them pleasant.

Consumers embraced TikTok in huge numbers. Streaming powerhouse Netflix reversed its opposition to the ads it once disavowed in response to financial challenges and competitive pressure. Apple's changes to how data is shared with apps single-handedly upended the mobile attribution system that underpinned billions of dollars in ad spend. And the dual forces of price inflation and rising interest rates dragged down consumer sentiment.

Turbulent! And how are marketers responding? Not always in the ways you might expect.

For instance, you might think the changes with various social platforms would give some marketers pause. On the contrary, our survey revealed that social advertising—and short-form video in particular—will capture more year-over-year spend increases in 2023 than any other channel.

And you might also think that the concerns around privacy and identity would be easing somewhat, given that we are now several years into preparing for the deprecation of key identifiers. However, the development of proposed replacements has been a mixed bag, and marketers remain as concerned as ever that industry efforts are lagging.

Finally, you might think that the macroeconomic conditions would find marketers slashing their investments in brand-building while scurrying to performance-based channels, as they have in the past. But as we'll see, the data suggests otherwise.

In this report, we take a close look at what's driving change in our industry and provide an update on marketer sentiment in other important areas, such as CTV, omnichannel marketing, and brand safety.



Insight #1

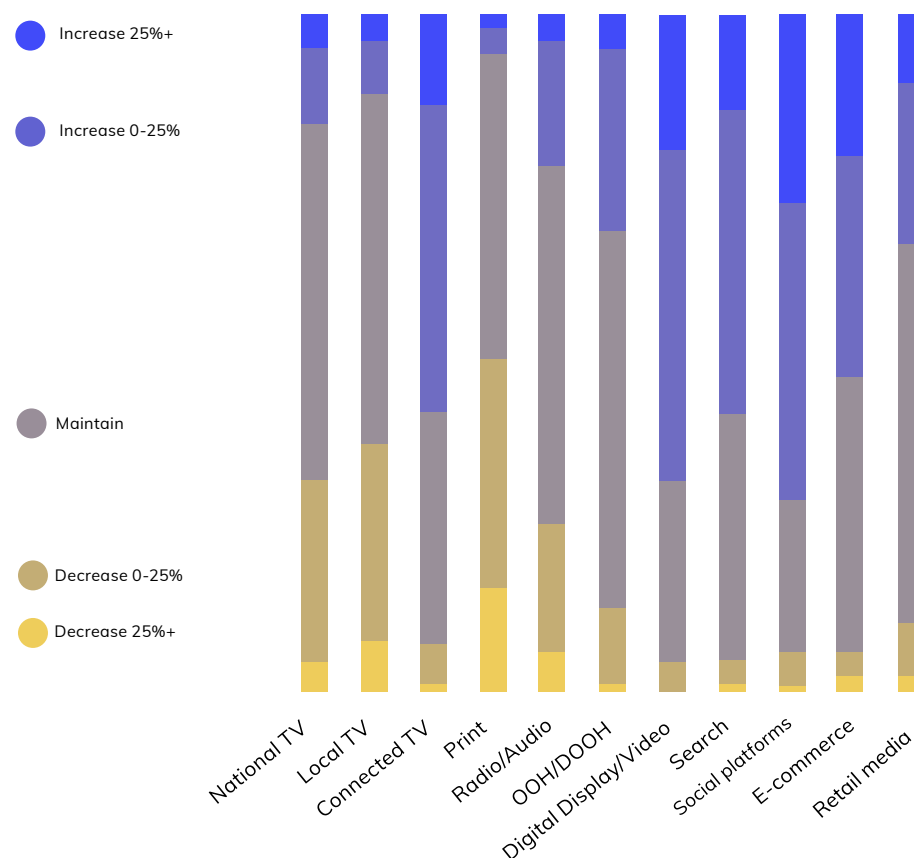
Marketers still love social, but the relationship is complicated

Traditional walled gardens have had a rough go of it lately. Growth has been harder to come by. Apple, invoking privacy, summarily scrapped identifiers that fueled years of revenue expansion; brand safety concerns have persisted (as we'll see). And that's to say nothing of public valuations.

Under these conditions, you might expect to see a dip in marketers' eagerness to be present in social environments. But you'd be wrong. When asked how they plan to allocate investments, more respondents indicated they would increase their spending on social platforms than said as much for any other channel. Notably, much of this anticipated growth comes from those who plan to increase social investments dramatically (25% or more) rather than moderately (1% to 25%).



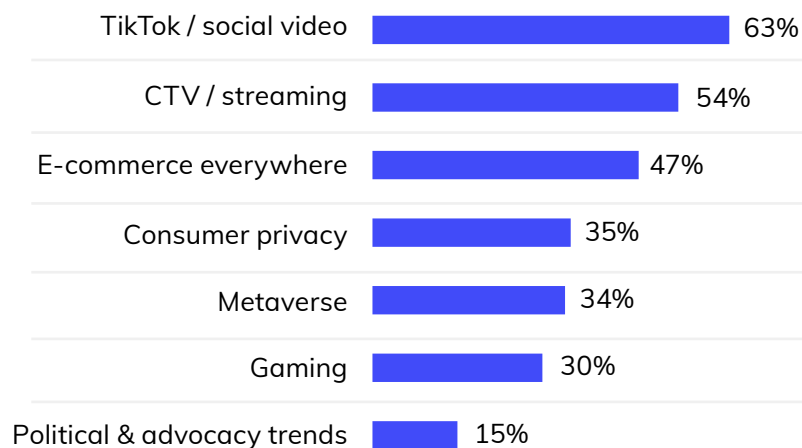
For each media channel below, do you expect to increase, decrease, or maintain your spend in 2023?



What's going on here? The entrance of new platforms and formats is likely a key driver. It appears the rise of short-form mobile video, and TikTok in particular, may be propping up this category. When we asked respondents to choose the top three consumer trends they're watching for 2023, "TikTok/ social video" won handily, with 63% of people selecting it. The no. 2 and no. 3 selections were "CTV / streaming" (54%) and "e-commerce everywhere" (47%). Both trends are white-hot this year but trailed social video by a considerable margin. Also, none of these trends occur in a vacuum; a significant driver of the everywhere trend for e-commerce comes from the burgeoning trend of connecting shopping with social video.

Interestingly, privacy ranked fairly low on the list, despite being flagged elsewhere as a major concern. (More on that later.)

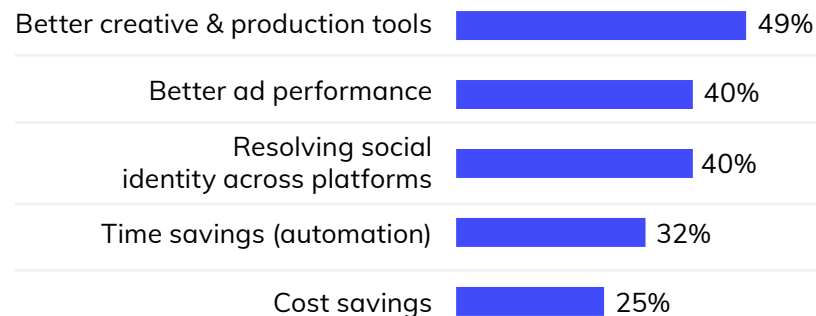
What are the most important consumer trends you're watching for 2023? (Choose up to 3)



Social creative is a big opportunity

In a corollary trend, we found real excitement about the potential for better creative and creative tools on social platforms. Nearly 50% cited "better creative and production tools" as a big opportunity, followed by "better ad performance" and "resolving social identity across platforms."

What are the biggest opportunities to improve execution in social channels?

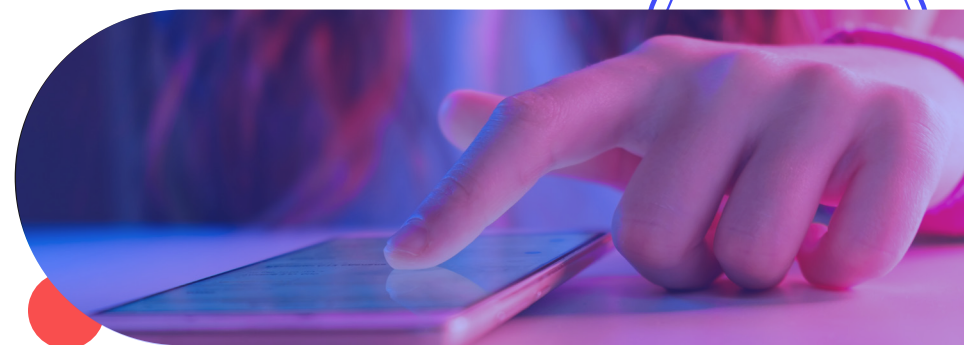


Upper-funnel advertising may outperform investment expectations amid economic headwinds

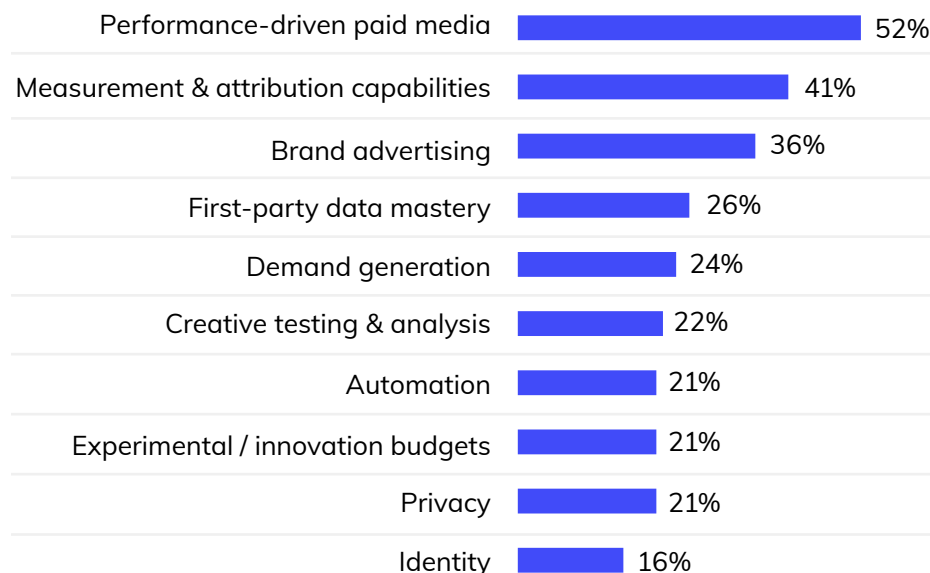
Experienced marketers understand intrinsically that investing in the brand is investing in the long-term health of the business. And yet, when the larger economic environment becomes cloudy or downright menacing, brand advertising budgets are often the first to go as marketers double down on “what works.” And while it’s true that respondents to our survey listed performance-driven paid media as their most critical area of investment in the event of a downturn that doesn’t tell the whole story.

More than a third of respondents listed “brand advertising” as a critical area to maintain investments in the current uncertain climate, and 24% cited demand generation.

More and more examples of marketers have found success by maintaining a strong focus on upper-funnel goals. As reported in The Wall Street Journal, Airbnb has moved away from search as an acquisition vehicle to focus on upper-funnel campaigns and PR efforts, with the primary goal of building its brand. In its Q3 2022 earnings call, the company said even serious headwinds wouldn’t change its approach.



Given our current macroeconomic uncertainty, which advertising capabilities and media investments are most critical?



Measurement and attribution are critical

But proving upper funnel tactics work is still really hard. Therefore, attribution and measurement become all the more important, and indeed, respondents to this year's survey repeatedly indicated measurement is a huge focus.

In fact, when asked which single tech innovation they think will be most impactful for their advertising in 2023, the top response was "measurement improvements" (27%), closely followed by "improvements in integrated media planning and execution" (21%).

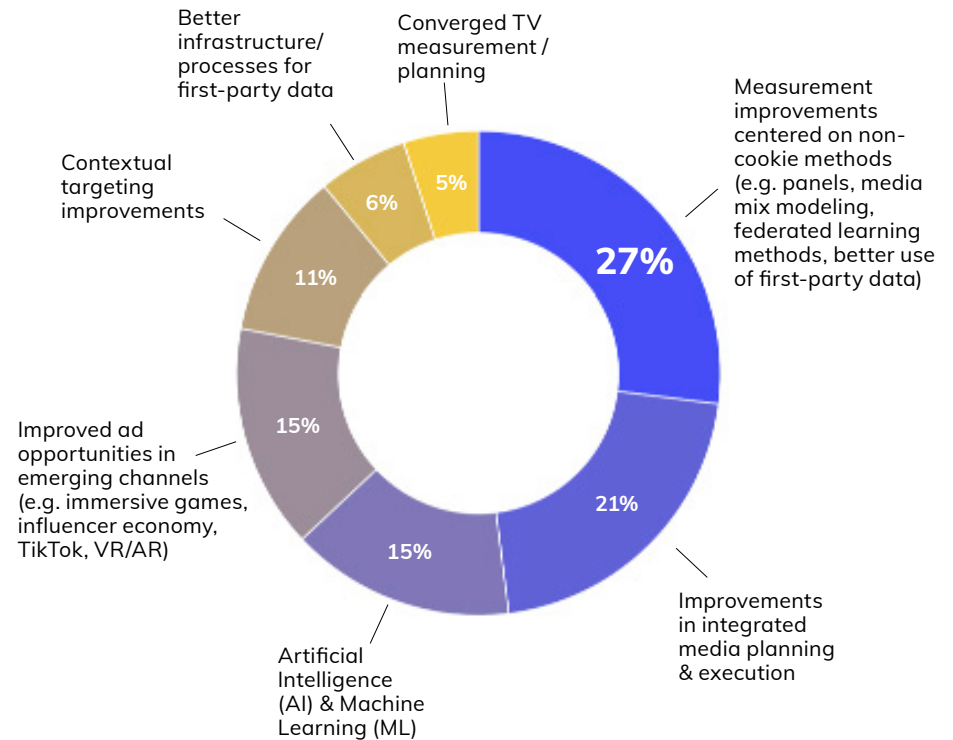
Given that the technical hurdles standing in the way of doing upper-funnel and omnichannel measurement have been a persistent bugbear for the entire history of marketing, our respondents' belief in imminent progress on this issue is perhaps the most optimistic note in this report.

"Especially as data gets more fragmented and siloed and less available, measurement becomes even more urgent. That's a big thing in 2023."



—Joanna O'Connell, Industry Analyst

Which marketing technology innovation do you believe will be most impactful for your advertising in 2023?



Cognitive dissonance on privacy

On the topic of privacy, our survey reveals that some learned passivity has unfortunately taken hold of our industry.

As the first chart in our report reveals, “consumer privacy” ranks near the middle of the pack among trends marketers say they’re watching closely, with only 35 percent of people placing it in their top three trends for the coming year. For comparison, “Metaverse” held almost the same level of attention (34%).

And yet, when we asked about their largest areas of concern, more respondents cited a “lack of preparedness” for privacy-driven data deprecation than any other response. In fact, the top three responses to this question all touched on data loss.

Furthermore, when asked, “What’s the industry most behind on?” more of this year’s respondents selected “Privacy” than did one year ago.

And so we find ourselves with seemingly contradictory findings, where agencies and marketers express only moderate interest in privacy and yet simultaneously sound alarms about it.

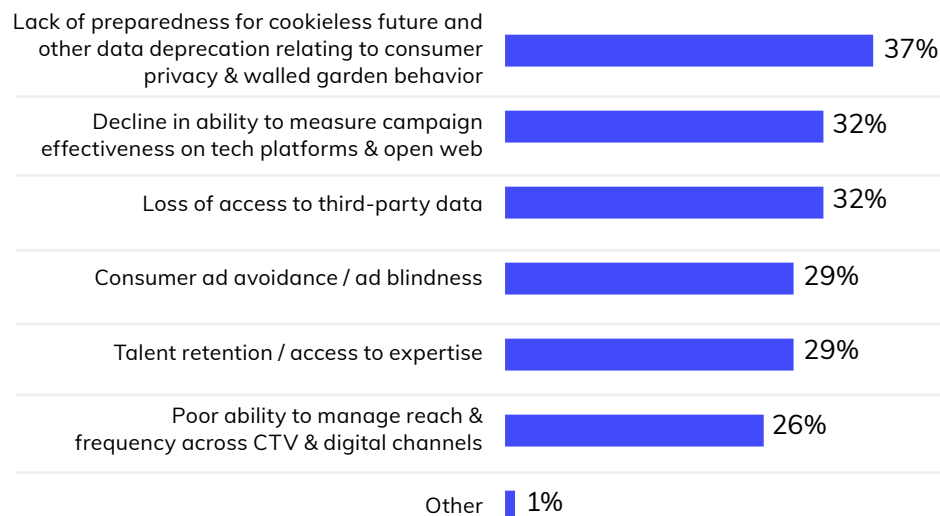
One could endlessly debate the reasons for this. Certainly, Google’s repeated delays in ending support for third-party cookies in Chrome have created the incentives for some parties to “run down the clock,” changing nothing while extracting as much value from cookies as possible before they finally do bite the dust. And the technical complexity involved in building privacy-preserving alternatives can also act as a disincentive for marketers and other non-technical stakeholders to play an active role. Whatever the reasons, marketers are not acting with urgency, even as Apple’s discontinued support for IDFAs wreaks havoc in the mobile app ecosystem.

“If the industry is treating this as something for partners to solve, they’re giving up responsibility.”



—Joanna O’Connell, Industry Analyst

What are your largest areas of concern in your media and marketing initiatives?



Secular trends in TV ad spend continue—with a notable caveat

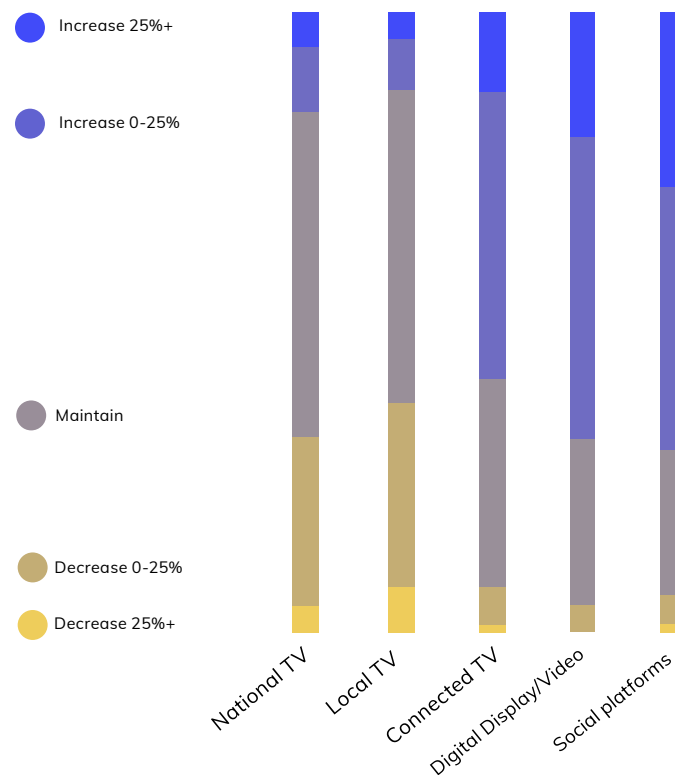
The migration to ad-supported streaming got a big boost in 2022 with Netflix's announcement of a new service tier subsidized by its brand partners. With this move, Netflix joins Disney+, HBOMax, and others in acknowledging that the future of TV will continue to carry advertising.

This is good news for marketers, and they're responding with enthusiasm. Just as we found last year, more than half of marketers say they will continue to make big increases in their CTV investments. And once again, more plan to reduce their spending on traditional TV viewing (national and local TV), than plan to increase it.

But it's important to note that the outflows of traditional TV budgets are not all being directly infused into CTV. Some of that spend is going to streaming channels, yes, but there's also strong evidence that social video will capture significant incremental spend in the coming year.



For each media channel below, do you expect to increase, decrease, or maintain your spend in 2023?



Brand safety concerns persist

2022 was another year defined by divisive political rhetoric, and the specter of another acrimonious general election looms on the horizon. Misinformation, political and otherwise, remains a big concern. So we made a point of checking in on brand sentiment around the safety and suitability of media environments.

It turns out marketers feel much the same on this point as they did last year. Just over half expect their brand safety and suitability concerns to remain the same, while approximately 40% expect those concerns to increase. A single-digit percentage expects those concerns to decrease.

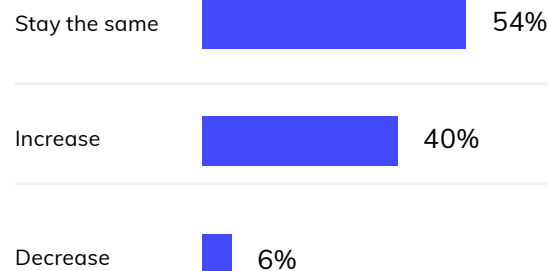
“As we consider the future of brand suitability, it’s important to note that this is not only about display and social, but CTV as well. And we should distinguish between the table stakes of ‘brand safety’ and the more nuanced realm of ‘suitability, which is really about finding a match between a brand’s message and its ideal environment.”



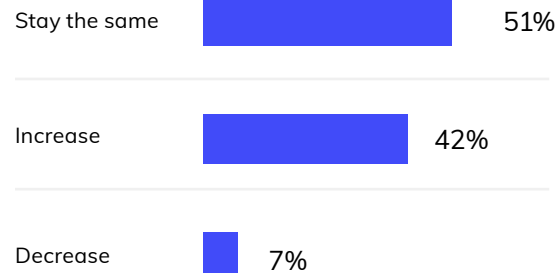
—Joanna O'Connell, Industry Analyst

Do you expect your concerns around brand safety and suitability of ad placements will increase, stay about the same, or decrease over the next 12 months?

Q4, 2022



Q1, 2022





Conclusion

As we wrap up 2022, marketers and their partners are being severely tested by a number of big changes in consumer behavior in the macro business environment and in the technical underpinnings of the internet. But they're also taking comfort in the fact that they have powerful tools to help navigate these changes.

Our annual survey demonstrates that brands are increasingly bullish on the potential for emerging tools to support their objectives, ranging from creative automation and machine learning to cross-platform integrations and measurement. These tools, and the way they work together, are becoming more seamless as advertising technology continues to mature.

The challenge now is to put these tools to work in service of unified buying and measurement across digital, social, streaming, and other media environments. Much of that work still lies ahead, but the important groundwork has been laid for all parties to make real progress in 2023.

Methodology

This survey was conducted via TechValidate in November 2022 and contains data from 621 respondents representing brands, agencies, media companies, measurement firms, tech platforms, and other marketing industry constituents.

About Mediaocean

Mediaocean is the mission-critical platform for omnichannel advertising. With more than \$200 billion in annualized media spend managed through its software, Mediaocean connects brands, agencies, media, technology, and data. Using AI and machine learning technology to control marketing investments and optimize business outcomes, Mediaocean powers campaigns from planning, buying, ad serving, and creative personalization to analysis, optimization, invoices, and payments. Mediaocean employs 1,700 staff across 30 global offices and supports over 100,000 people using its products. Visit mediaocean.com for more information.

