Nielsen

2023 Annual Marketing Report

The need for consistent measurement in a digital-first landscape

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Foreword

There is no shortchanging the complexity that comes with being a CMO today. But at the same time, complexity doesn't grant CMOs any leeway when it comes to delivering for their businesses or justifying their marketing investments. In reality, we know that increased complexity simply amplifies accountability.

Whether it's managing with constrained resources, understanding audience engagement with new media channels, assessing measurement tools and tech stacks, identifying the right data partner, or all of the above—complexity is both a unique and universal challenge.

Throughout history, marketers have navigated complexity by, first-and-foremost, keeping the customer as their North Star. In the world of media management, that means ensuring you stay relevant and connected with audiences where they are—in traditional channels and new ones—which, admittedly, can require a period of opacity as measurement and data ramp up.

In a complex world, with media channel proliferation, it's imperative to find comparability—to ensure data and measurement integrity and consistency in order to find clarity and true outcomes success.

It sounds simple to say that we live in a complex world. But it's the CMO's job to navigate that complexity, make the right decisions, spend in the right places and ultimately deliver for the business. That responsibility comes with increased weight, especially as the level of noise to wade through is forever increasing—and resources are constrained.

This edition of our Annual Marketing Report illuminates the path forward—albeit a windy one. For marketers, that means focusing on the customer, testing new channels, learning where to pivot and leaning into new capabilities. And with the audience in mind, it's critical to leverage the highest quality inputs and data to inform your way forward.

Jamie Moldafsky
Chief Marketing and Communications Officer

Introduction

Few changes in the media industry are as defining as audiences' relationship with television. Originally developed to receive analog programming from nearby broadcast stations, today's television is simply an oversized screen—one that can deliver anything the internet has to offer.

With the growing proliferation of smart TVs[1] and the content they enable, brands have an emerging channel to engage audiences with—one that comes with more flexibility than traditional, linear programming affords. It also adds a new consideration for marketers as they assess of their marketing spend.

Streaming channels are not alone in attracting increased marketing spend from marketers. Brands are increasing their spending across all digital channels to keep pace with audiences—even amid economic uncertainty. With this as a backdrop, the survey supporting this year's annual marketing report desired to better understand which channels marketers are focused on, how effective they believe each channel is and how confident they are in assessing the returns of their investment across all of the channels they invest in.

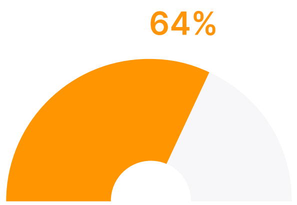
The findings of our survey illustrate that brands are adjusting their marketing strategies to meet audiences where they are, with 84% of global marketers saying they now include streaming channels in their media plans. They also understand the importance of knowing who is engaging with the devices and channels that carry their advertising, as 71%, on average, acknowledge the importance of comparable measurement across channels. The downside within the findings, however, is that marketers express relatively low confidence in channel effectiveness and their ability to measure ROI across channels.

[1] A smart TV is an internet-enabled television

Key survey findings

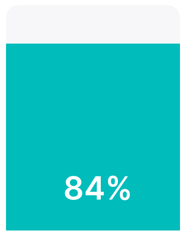
1 Economic headwinds aside, marketers expect their ad budgets to grow

More than two-thirds of marketers (69%) globally said the economic conditions had an extreme or significant impact on planning for 2023. Nevertheless, 64% expect their annual budgets to increase this year.



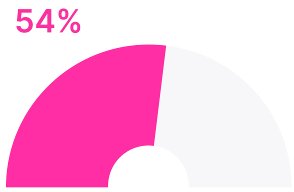
2 Streaming is the future, but it has yet to prove its value to marketers

The growth of streaming illustrates the future of how audiences will engage with TV. Global marketers see the opportunity, as 84% say they now include streaming in their media planning. Less than half, however, view this spending as effective.



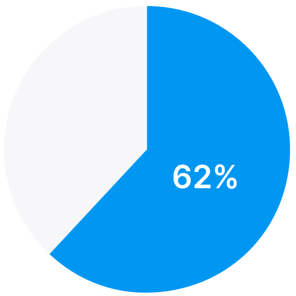
3 Confidence in measuring ROI is low across digital channels

Marketers' confidence in being able to measure the returns of their spending is relatively low at the channel level. On average, marketer confidence in ROI measurement across digital channels is 54%, which leaves them without insight into the complete return of their spending.



4 The use of multiple measurement tools hinders confidence in a single view of audience performance

Given the historically different methodologies for linear and digital measurement, the widespread use of multiple measurement solutions is a factor in marketers' stated confidence in arriving at consistent, person-level measurement across devices and platforms. On average, 62% of marketers globally use multiple measurement solutions to arrive at cross-media measurement, with 14% leveraging four to five.



Industry insights

Digital spend edges out other investments amid economic headwinds

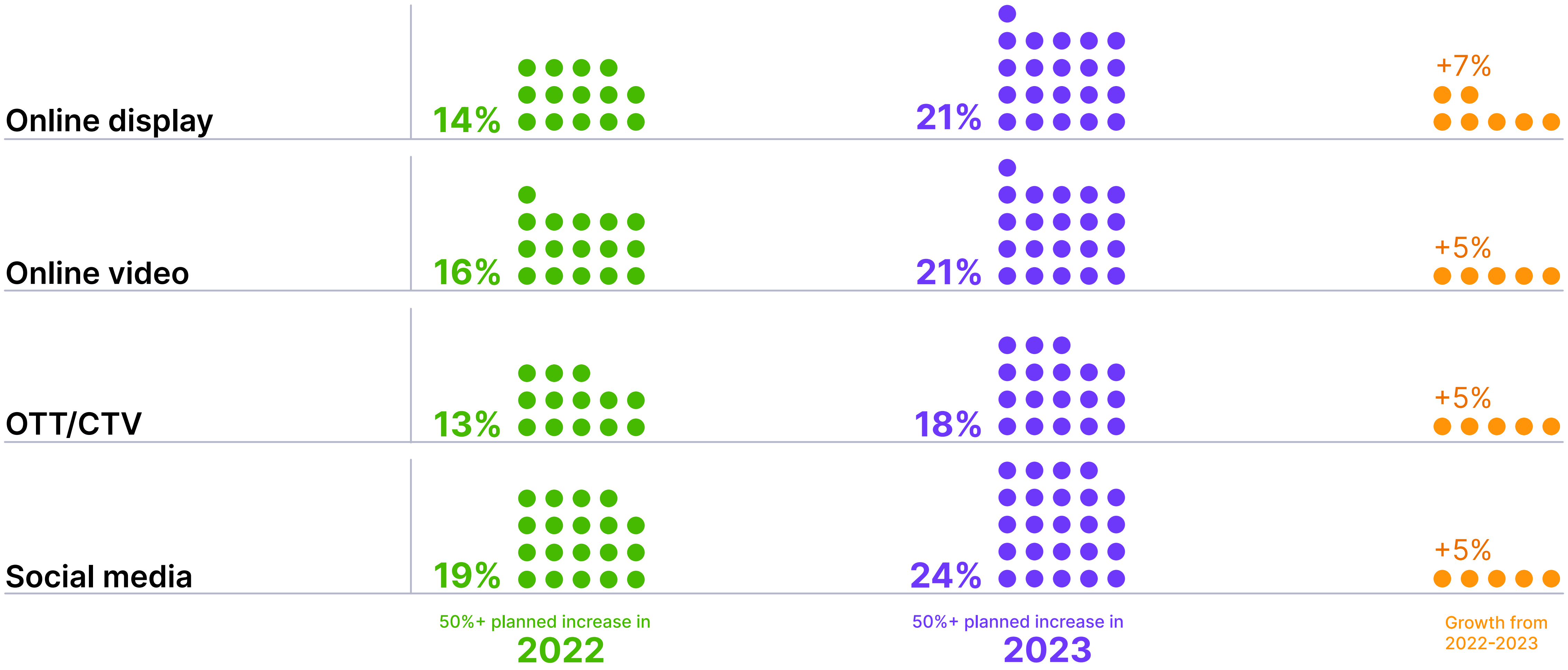
Several of the industry's leading media investment companies[2] are forecasting mid-single-digit ad spend growth this year, compared with double-digit growth last year, with much of that growth attributed to CTV[3] and streaming. Similarly, the Interactive Advertising Bureau (IAB) expects increased ad spend across every digital channel and declines in spending across traditional channels like TV and radio[4].

Heading into 2023, global marketers were prepared for uncertainty, with 69% of the marketers surveyed for this report saying that the economic conditions had an extreme or significant impact on their planning for the year. That uncertainty notwithstanding, the majority (64%) still expect their ad budgets to increase in the year ahead, with 13% expecting increases of 50% or more.

> **"Despite economic uncertainty, 64% of marketers expect their ad budgets to increase in the year ahead"**

[2] GroupM forecasts 5.9% ad spend growth; Zenith forecasts 4.5% ad spend growth; Magna forecasts 5% ad spend growth.
[3] Connected TV (CTV) refers to any television that is connected to the internet. The most common use case is to stream video content.
[4] AB 2023 Outlook Survey, November 2022

Anticipated budget changes of 50% or more throughout the year



Source: Annual Marketing Report surveys

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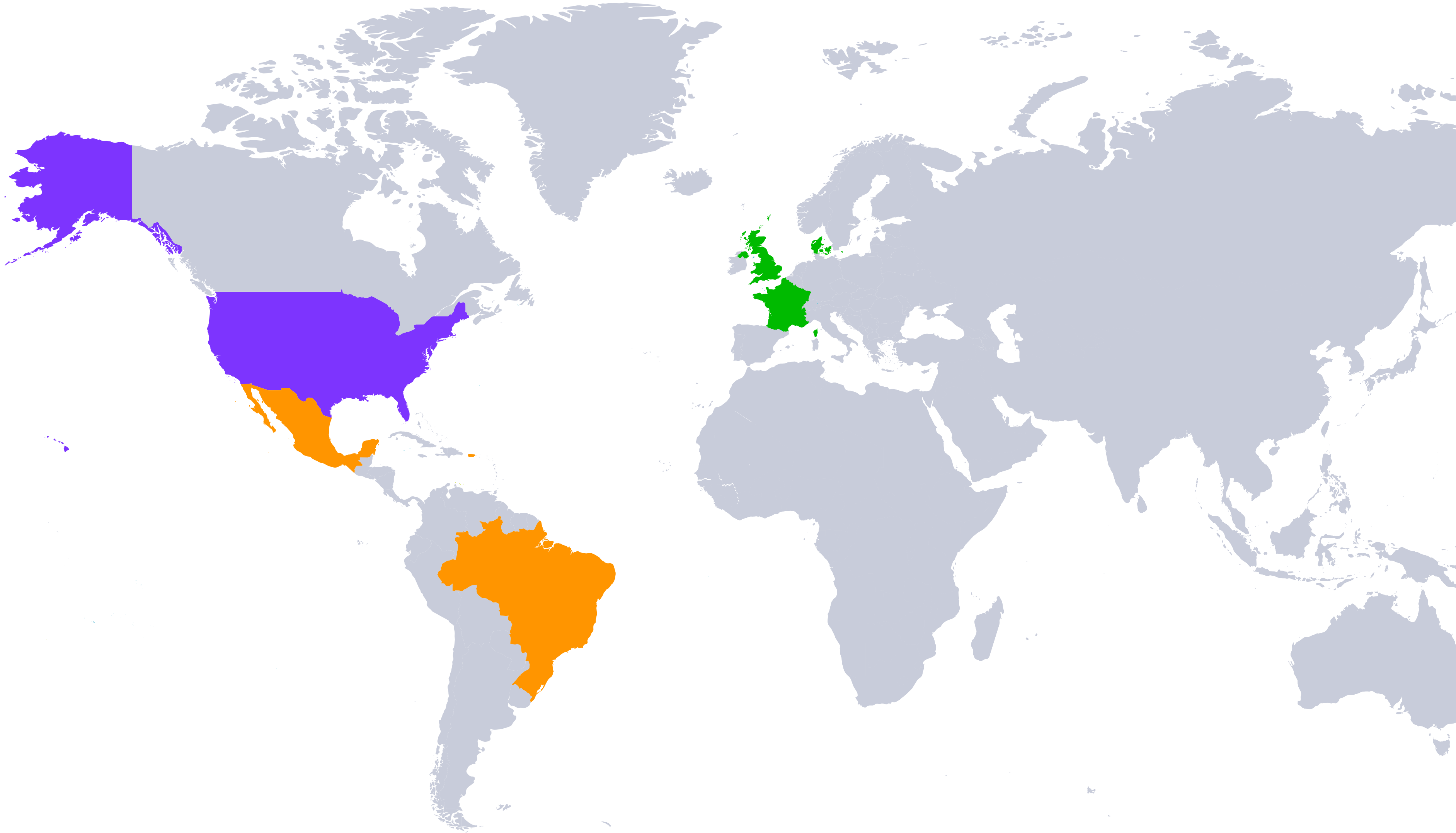
The anticipated spending aligns with global trends we've been tracking via Nielsen Ad Intel over the past few years:

In the U.S., digital video ad spend through the first three quarters of 2022 ($14.6 billion) had already surpassed the total digital video ad spend in 2021 ($14.5 billion). That represents a 171% increase from the $5.4 billion spent in 2020.

Across Puerto Rico, Mexico and Brazil, digital ad spend increased 228% between to 2021 and 2022, with total spend in these markets reaching $24.5 billion last year. Of the total, 58%, or $14.2 billion, was allocated to digital video.

In France, Denmark and the U.K., internet-based video spend increased from $2.3 billion in the first three quarters of 2020 to $4.2 billion in 2022.



*The data reported is derived from the increased coverage of our Ad Intel measurement, which shows greater visibility of actual spending on digital vehicles. (1) Digital activity reporting in Brazil starts in January 2022. (2) PPP and social activity reporting in Puerto Rico starts in May 2022.

Global ad budgets are leaning into CTV

The increased spend across digital video, including CTV, reflects audiences' shift to streaming. In the U.S., for example, streaming usage is staggering: Americans watched more than 19 million years' worth of streaming content in 2022[5]. In Mexico, streaming had grown to account for 15.2% of total TV usage as of December 2022[6]. In Thailand, streaming content reaches more than 50% of the TV audience, with the average viewer spending just under one hour per day streaming content[7]. In Australia, 70% of people 14 and older say they use the internet to stream video, with the average viewer streaming 2.7 hours each day[8].

As a result, advertisers and agencies are putting their money where the audience is, which illuminates a critical measurement need.

What's at stake? Billions.

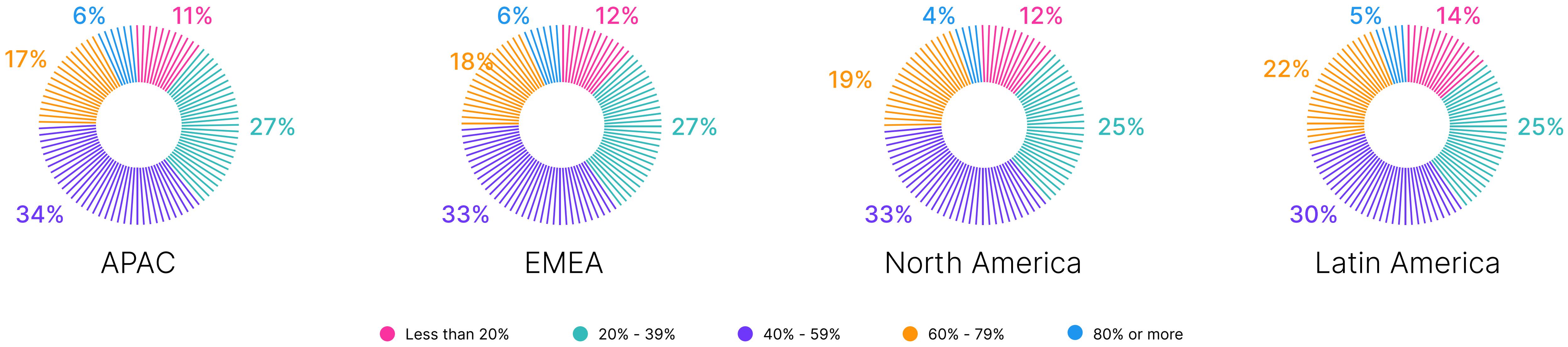
Marketing and advertising agency Zenith forecasts that global online video ad spending will grow at a compound annual growth rate (CAGR) of 4.8% through 2025 to account for 30% of the overall ad market. At a more granular level, the company expects advertising on subscription video on demand (SVOD) services to grow at a CAGR of 27.9% to reach $13.1 billion by 2025.

Well aware of the transition to streaming, global marketers are adjusting their media spend accordingly: Globally, on average, 32% report allocating 40%-59% of their budgets to CTV, and nearly one-fifth (19%) report shifting 60%-79%.

> "On average, 45% of ad budgets are shifting to CTV globally"

[5] Nielsen Streaming Content Ratings and Nielsen National TV panel [6] The Gauge Mexico [7] Thailand Cross-Platform Ratings [8] Australia Consumer and Media View, Q4 2022

How much of your ad budget is shifting to CTV?



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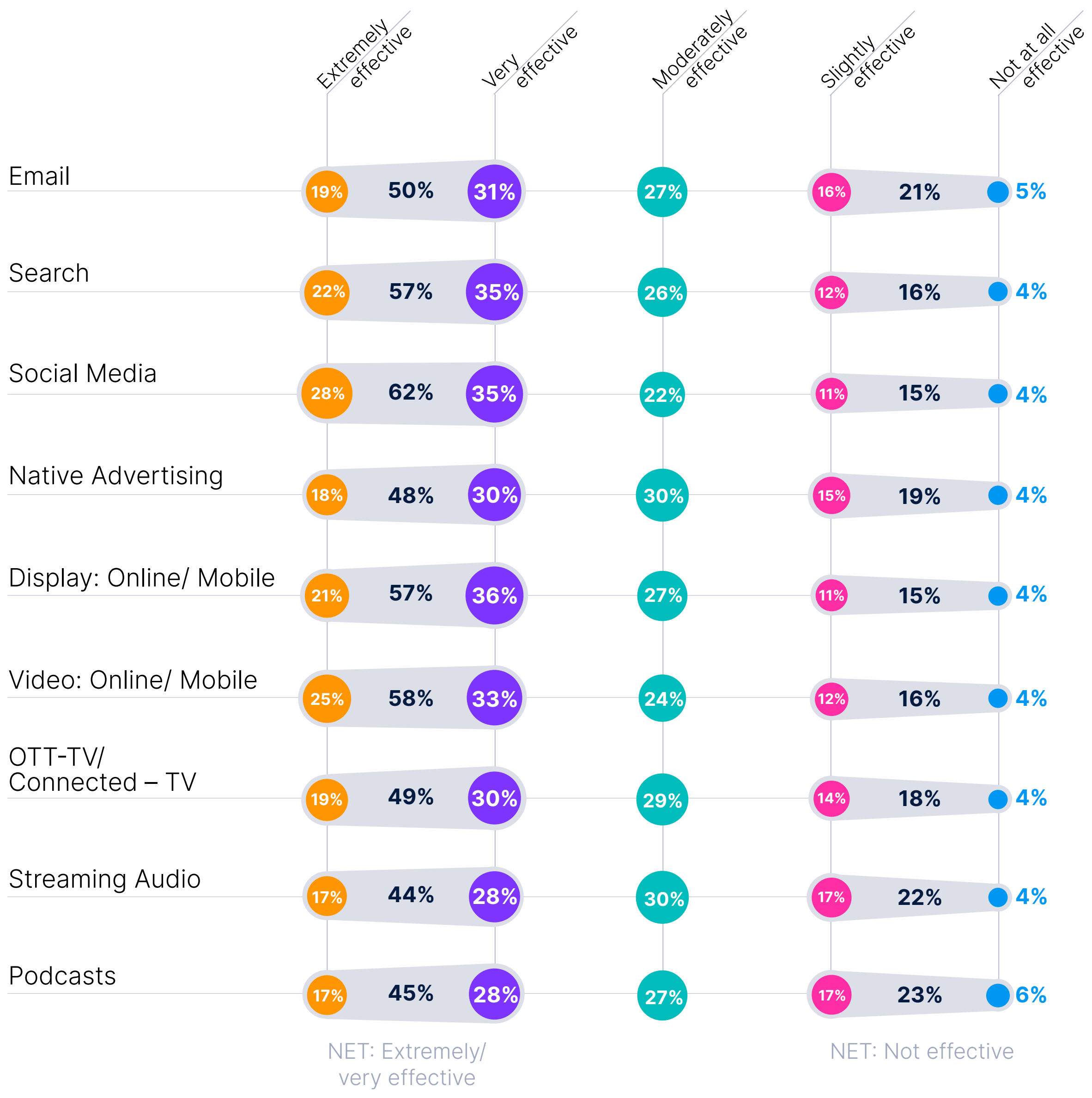
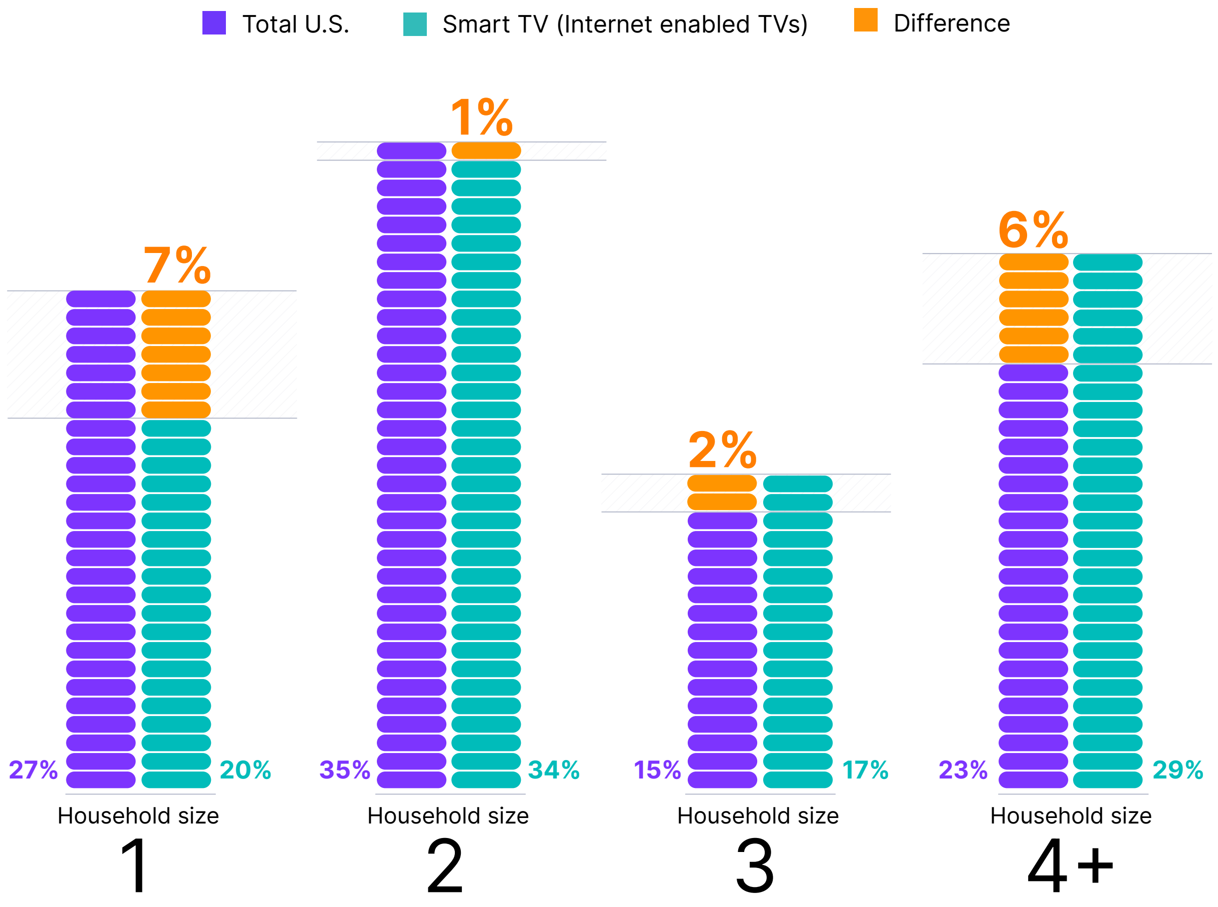
Perceived effectiveness of digital spending by channel



The downside to the increased CTV spending is that marketers don't yet view CTV spending as effective as they view their investments in many other digital channels.

Smart TV data is not representative of audiences

Distribution of U.S. household by size, October 2022



Smart TVs introduce a new set of data to the cross-media puzzle, and some companies are leveraging it for measurement purposes. The rise of streaming is among the most exciting stories in the media industry, and the automatic content recognition (ACR) data from smart TVs adds to the excitement. But it's also what makes measurement so complex. By itself, ACR data only tells us what's on the screen. That's where panels come in. They provide person-level behavior, which is critical in understanding the audience. For example, a Nielsen study in the U.S. last fall found notable audience misrepresentation when smart TV data was used by itself for measurement.

> **"Globally, experts agree both panels and big data are required for future measurement"**

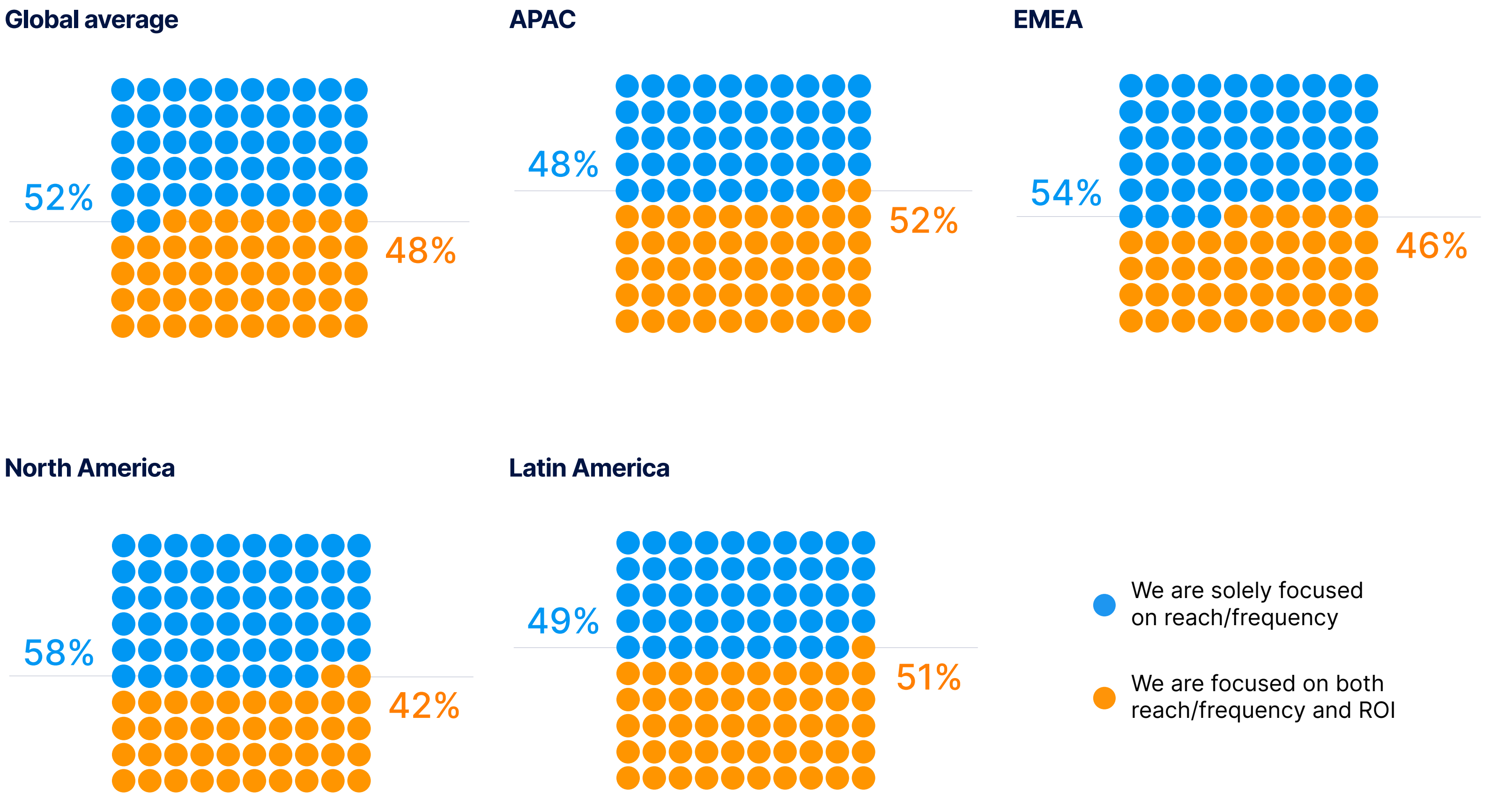
Importantly, the World Federation of Advertisers, the Association of National Advertisers and the comparable organizations in over 30 other nations believe the future of audience measurement should include a combination of quality panels and big data.

Smart TV = Internet-enabled TV's | HHLD = Household
Source: Nielsen TV Panel Distribution of scaled install penetrations Sept. 26-Oct. 30, 2022

Confidence in holistic ROI measurement is low

While marketers see the benefit of digital channels and the ballooning streaming space, many are unsure how to make heads or tails of their cross-media investments. Measurable returns will always provide marketers with the guidance they need to make tactical media investment decisions, but cross-media ROI measurement challenges have more than half of global marketers (52% on average) focused only on reach and frequency metrics.

Which best describes your cross-media measurement approach?

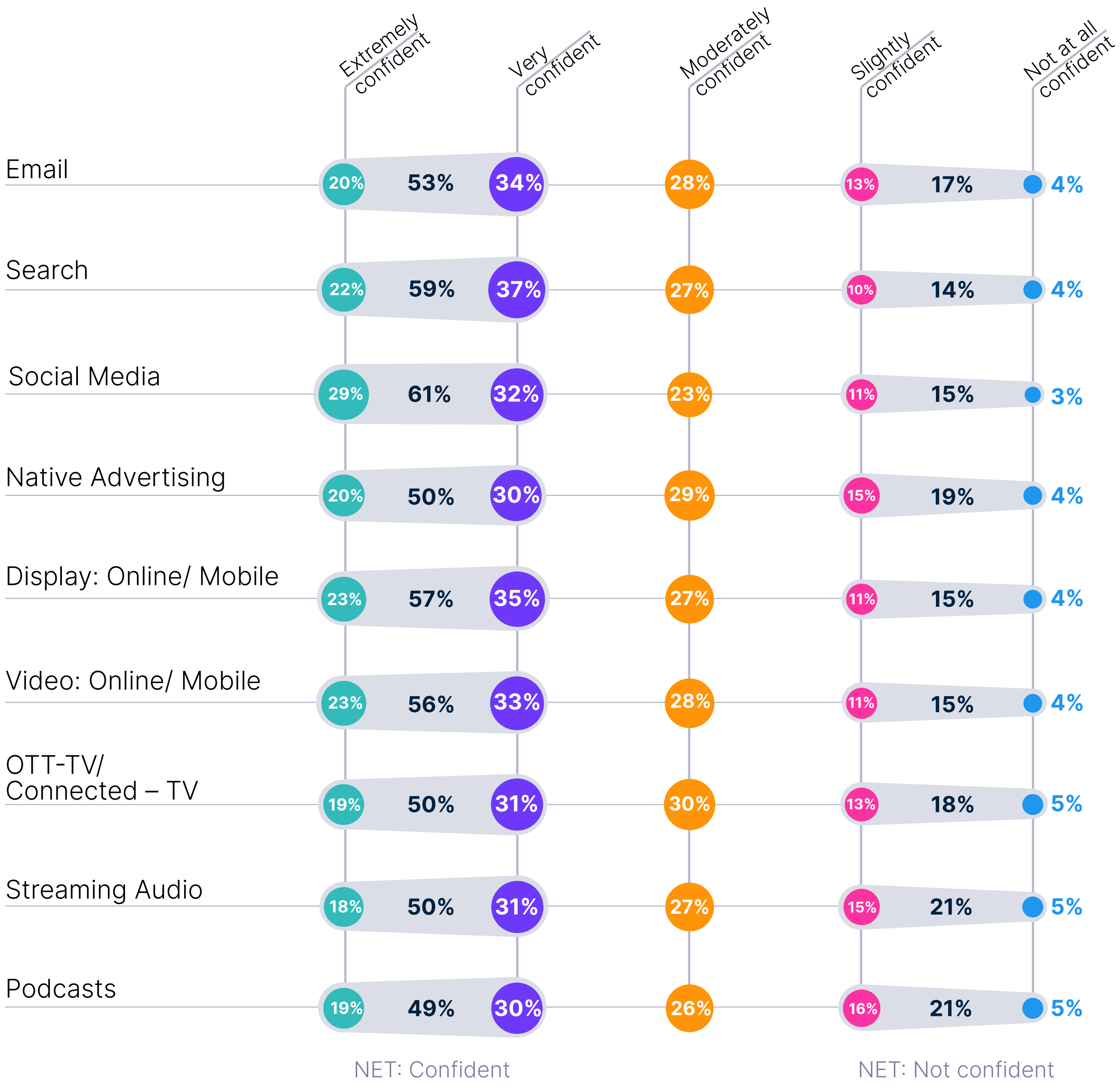


The reach and frequency focus could be due to under-utilized marketing technology (martech). For example, Gartner's 2022 Marketing Technology Survey Insights found that marketers aren't using their tools as effectively as they could be: Only 42% of survey respondents said they use the full breadth of their martech capabilities, down from 58% back in 2020.

Through the lens of reach and frequency, however, marketers do have the ability to boost their ROI—simply by reaching more of the right audience. On-target audience metrics are a key indicator of in-flight campaign performance, and they can have a notable impact on campaign ROI.

Practically speaking, marketers without dependable measurement data won't be able to make fully informed media mix decisions. That could limit their ability to plan for their primary business objective for the year: customer acquisition.

Confidence in ROI measurement by channel



Note: The data will not sum to 100% because the chart only displays aggregated responses denoting high or low confidence.

The reduced use of martech capabilities could also explain the gap between marketers' stated belief in their martech's ability to measure aggregate ROI (69%) and their reported ROI confidence at the individual channel level, which is much lower.

Across individual digital channels, confidence in ROI measurement is 61% or less, with confidence in podcast and CTV measurement ROI at 49% and 50%, respectively. With respect to understanding complete consumer journeys (full-funnel) across all media, ROI measurement confidence is 53%.

Increasing complexity inhibits measurement confidence

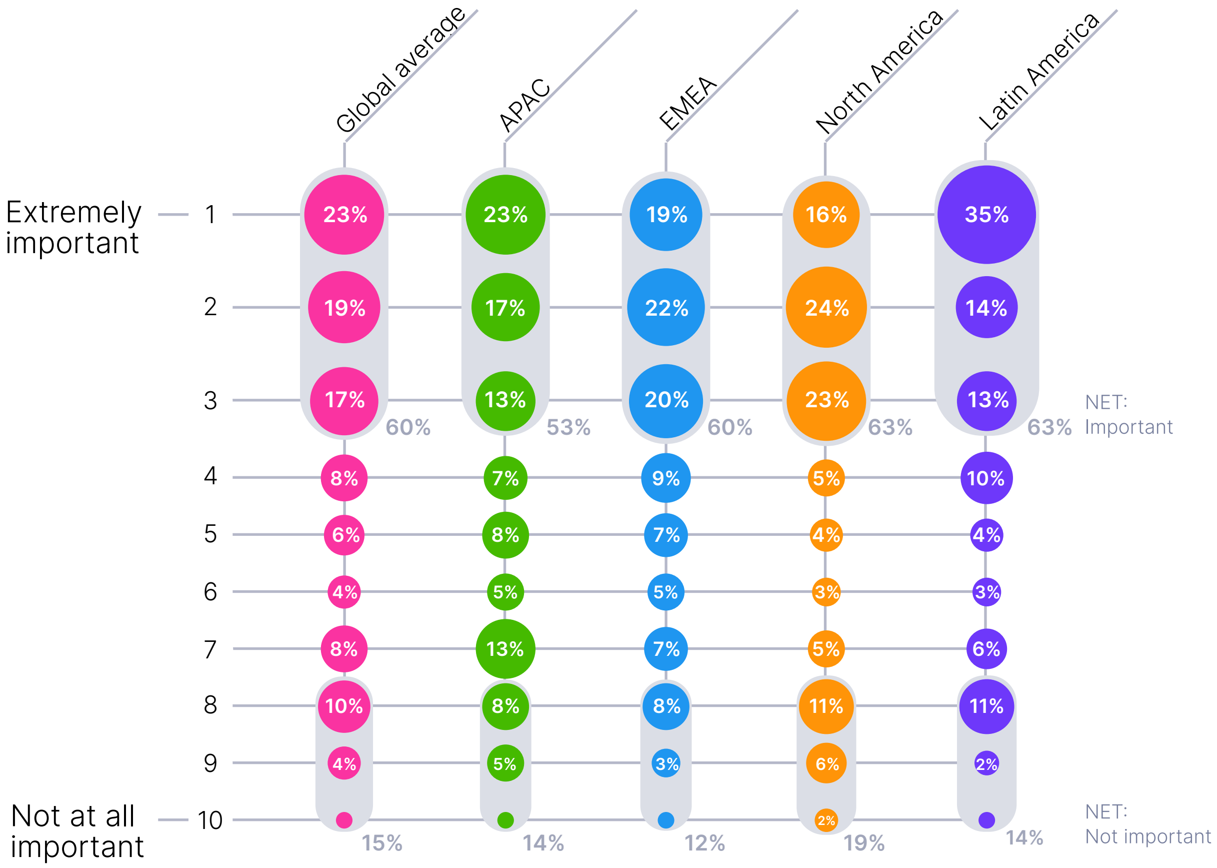
Given the increasing complexity of the media landscape, several factors, in addition to the diminishing use of martech, could be inhibiting marketers' confidence in ROI measurement:

- **Misaligned campaign effectiveness metrics**
- **Incomplete audience data**
- **A reliance on channel-specific measurement tools**
- **Reduced investment in marketing technology**

Many marketers don't equate campaign success with on-target reach

Somewhat surprisingly, global marketers don't always equate understanding cross-platform reach with measuring a campaign's effectiveness in reaching a target audience. Globally, on average, 60% of marketers believe understanding cross-platform reach is important in measuring whether their campaigns reach their intended audience. In Asia-Pacific, the percentage is lower at 53%.

Stated importance of understanding cross-platform reach in measuring campaign success of reaching target audience



Effective reach depends on quality audience data

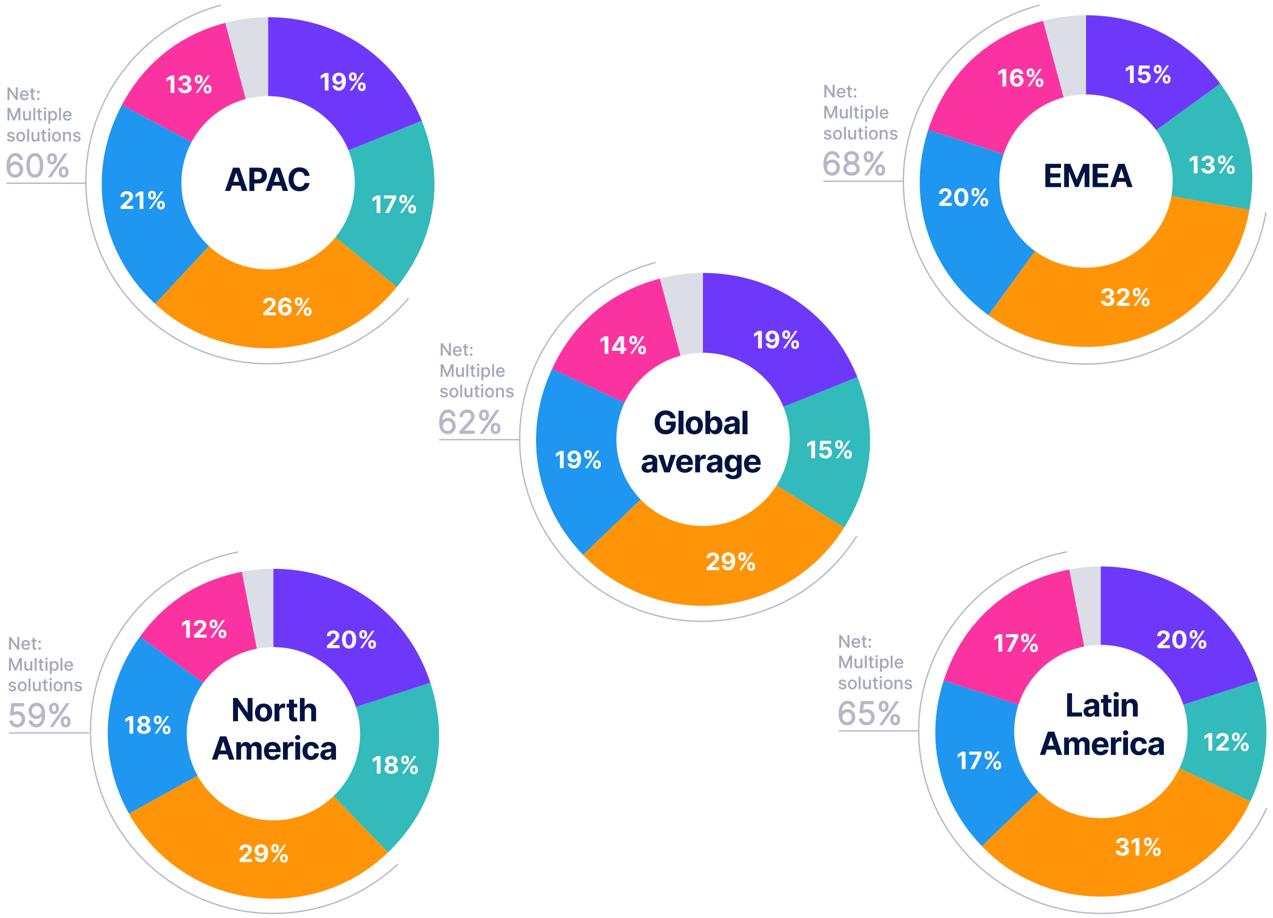
The job of any marketer is to identify the right audience and then engage with them. In an increasingly fragmented digital landscape, quality audience data is at a premium, especially as third-party cookies and mobile advertising IDs (MAIDs) become obsolete. And to that end, only 23% of marketers strongly agree that they have the quality audience data they need to get the most out of their media budgets. In Latin America, the percentage is higher, at 26%.

Channel-specific tools provide channel-specific measurement

The historically different methodologies for linear and digital measurement highlight the complexity in arriving at comparable, deduplicated metrics. Traditionally, marketers have used products that tell them whether someone viewed or clicked a digital ad or content—either online or in an email. This point-in-time approach is much different from traditional television measurement, which is more continuous in nature.

On average, 62% of marketers globally use multiple measurement solutions to arrive at cross-media measurement, with 14% leveraging four to five. Comparatively, just 34% report using one platform for cross-measurement needs: 19% have their own proprietary solution, and 15% use a third-party tool.

Approaches used to achieve cross-media measurement



- One proprietary measurement solution that measures key channels/platforms
- One third-party measurement platform to measure all channels/platforms
- A combination of proprietary and third-party measurement technology/solutions for each channel/platform
- Two-to-three third-party measurement technology/solutions to measure each channel/platform
- Four-to-five third-party measurement technology/solutions to measure each channel/platform
- Other

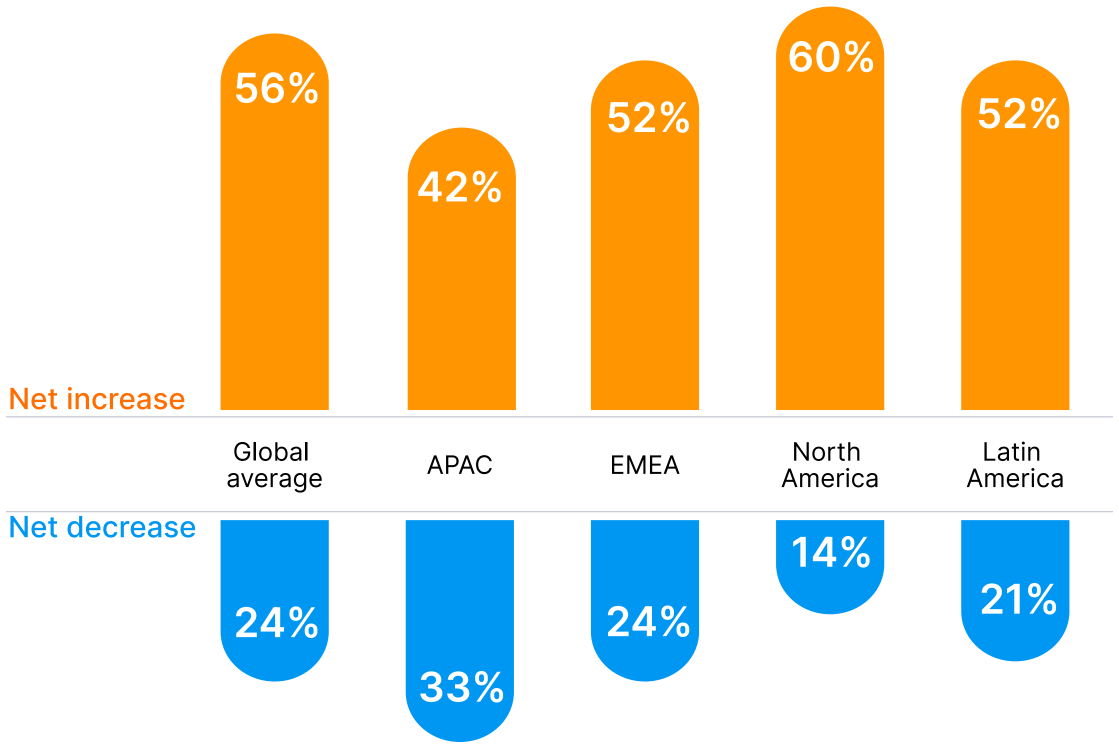
Note: The data may not sum to 100% because the charts do not display data for 'other' and 'N/A'.

Investment in martech is declining

In addition to using less of their martech in recent years, marketers report plans to pull back on additional investment in the year ahead. Despite expected increased ad budgets, 24% of global marketers, on average, plan to reduce their investment in martech to some degree, with 12% planning cuts of 150% or more.

Globally, we see the biggest planned reductions in Asia-Pacific, with 33% of marketers in this region planning to reduce their investment by 250% or more. Conversely, marketers in North America, plan the largest increases in martech investment, with 60% reporting plans to increase their investment by 100%-200%.

Planned investment in marketing technology over the next 12 months



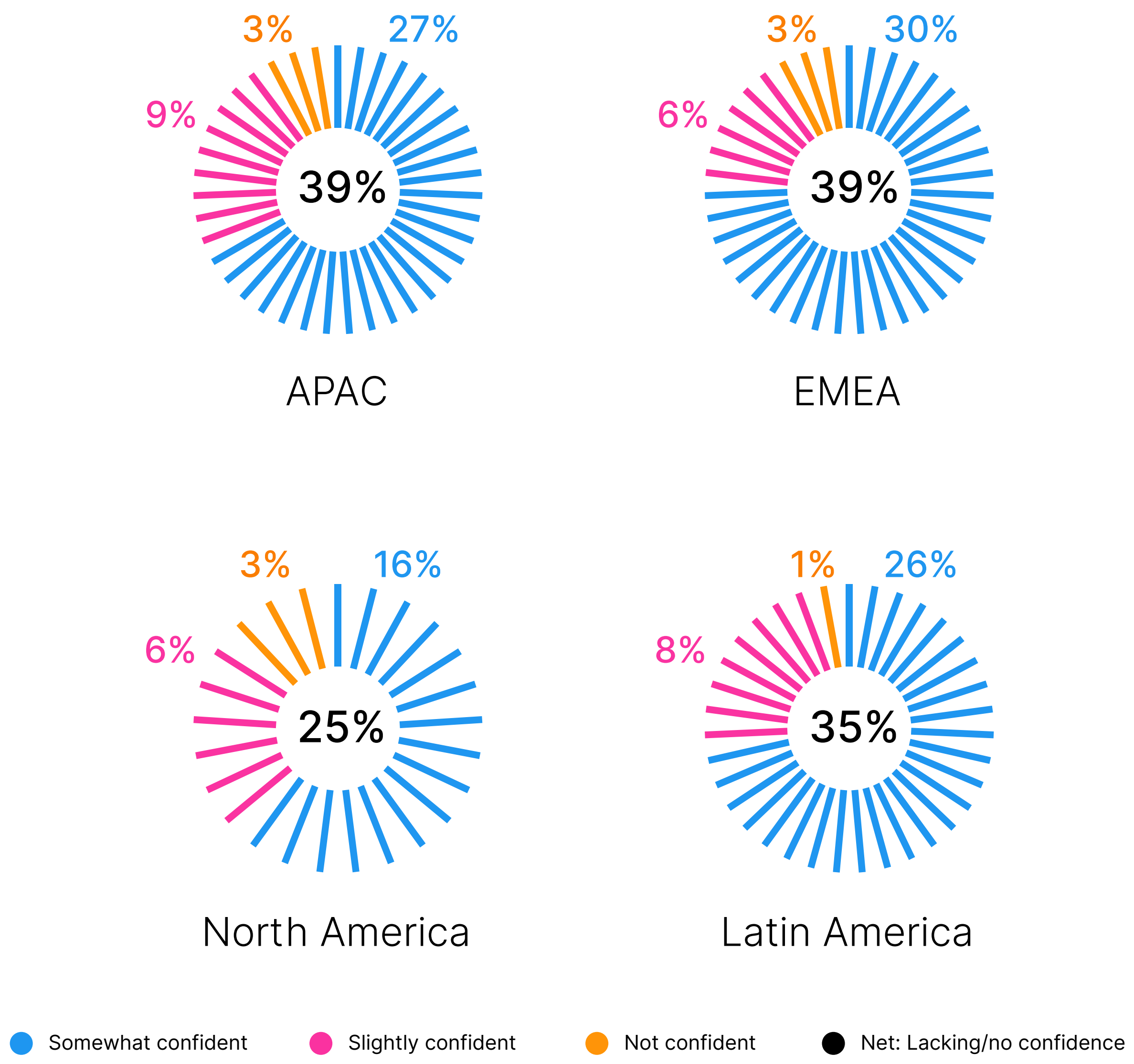
Planned channel investments transcend perceived effectiveness

Given the low confidence in channel-level and full-funnel ROI measurement, it's not surprising that marketers report only mild degrees of effectiveness across channels, with perceived effectiveness lowest for podcasts, CTV, streaming audio and native advertising. Incidentally, these four channels are also among those that marketers plan to invest most in over the coming year (planned increases range from 38%-42%).

As audiences increase their time with digital devices, emerging channels and streaming content, advertisers and agencies will need measurement that provides comparable data across devices and platforms. That will improve the confidence they have in their marketing investments. The universal applicability of impressions, which measure what content audiences are shown—continuously—provide marketers with comprehensive and representative comparability across linear and digital platforms.

The importance of comparable, person-level measurement isn't lost on global marketers, as, on average, 71% say comparability is extremely or very important in their cross-media measurement. Acknowledged importance aside, however, many marketers remain challenged to arrive at comparable, deduplicated measurement, especially those outside of North America.

Confidence in current solutions delivering comparable, deduplicated cross-media measurement



The importance of technology aside, it's worth noting that studies have found that marketing teams are facing challenges outside economic uncertainty, reduced budgets and shifting business priorities.

For example, Gartner's State of Marketing Budget and Strategy 2022 survey found that the majority of CMOs (61%) reported that their teams lack the capabilities to deliver on their strategies. It also found that 71% of CMOs know they need to make large-scale changes to achieve their long-term visions.

This awareness, combined with the widespread use of multiple measurement solutions—which research suggests are under-utilized—provides brands and agencies with the insight they need to prioritize a re-imagined means of measuring for the future.

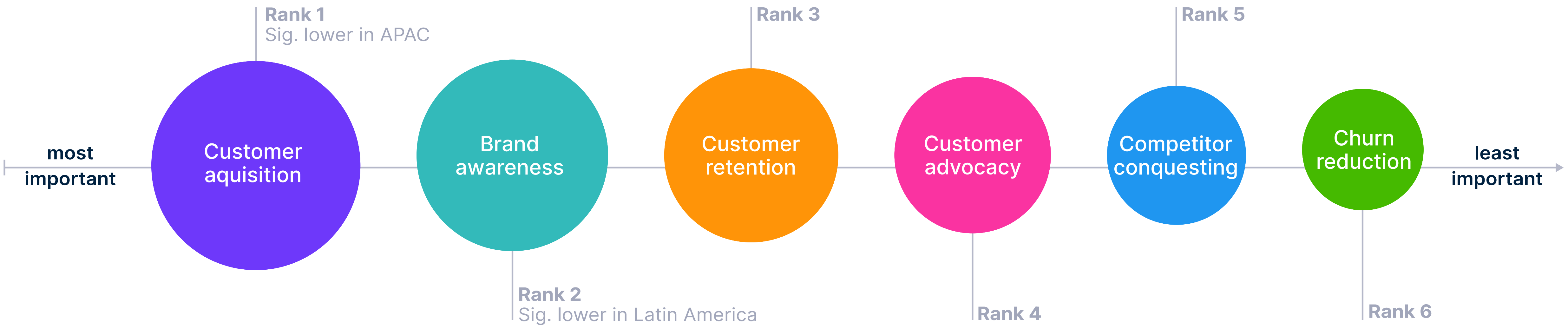
Our takeaways

1 Investments today can save money in the long term

Marketers are always being asked to do more with less, and that premise grows in times of economic uncertainty. But we know from our research that marketing accounts for 10%-35% of a brand's equity[9], highlighting the importance of ongoing brand building. The economic uncertainty, however, sharpens the need for efficient, targeted and measured ad spending.

Heading into 2023, most brands were already under-spending—by a median of 50%[10]—to achieve their maximum ROI. So, reducing spending by even more could suppress ROI even further. It may also have a negative impact on marketers' top objective for the year ahead: customer acquisition, closely followed by brand awareness.

Top marketing objectives for the 2023

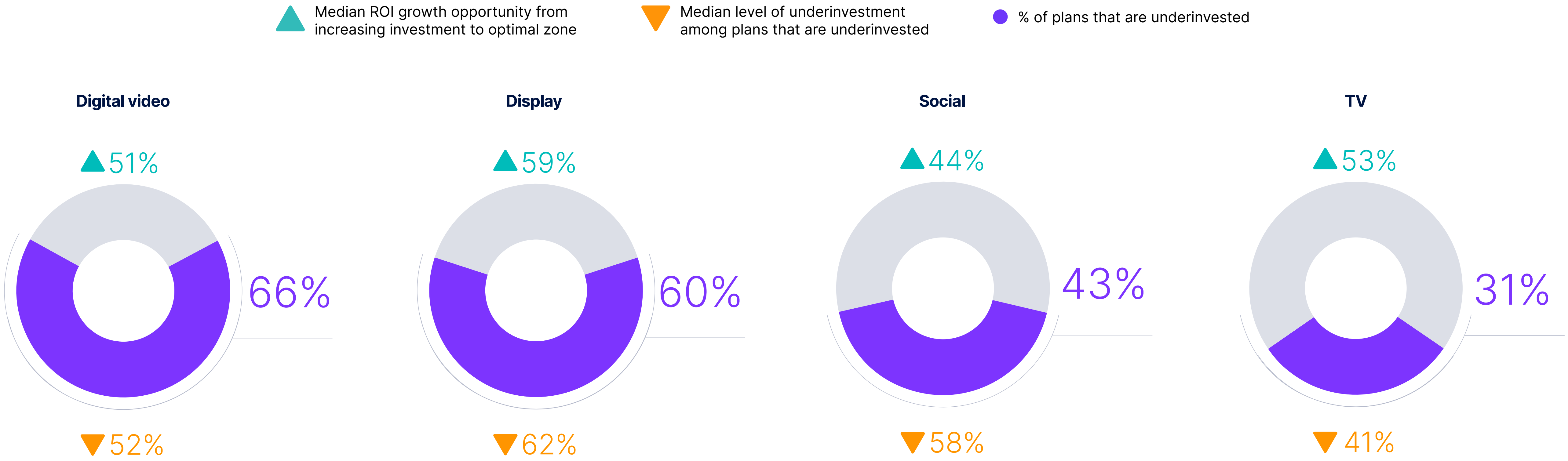


Numbers represent responses to this question: Please rank, in order of importance, each of these marketing objectives for your business from most important (1) to least important (7).

[9] Nielsen Brand Resonance Report | [10] Nielsen 2022 ROI Report

Rampant underspending is hampering maximum ROI

Under-spending is even higher in the digital channels where engagement is rising. For example, May 2022 data from Nielsen's Predictive ROI Database showed that 66% of global media plans were under-invested for digital video—the area of the media industry that's garnering the most attention from audiences, advertisers and publishers.



Source: Nielsen Predictive ROI Database May 2022

2 The future is here: embrace a comparable measurement mindset

Audiences have spoken, and digital video—in all of its forms—represents the future of how audiences will engage with content. From a measurement point of view, this shift calls for transformative change industrywide.

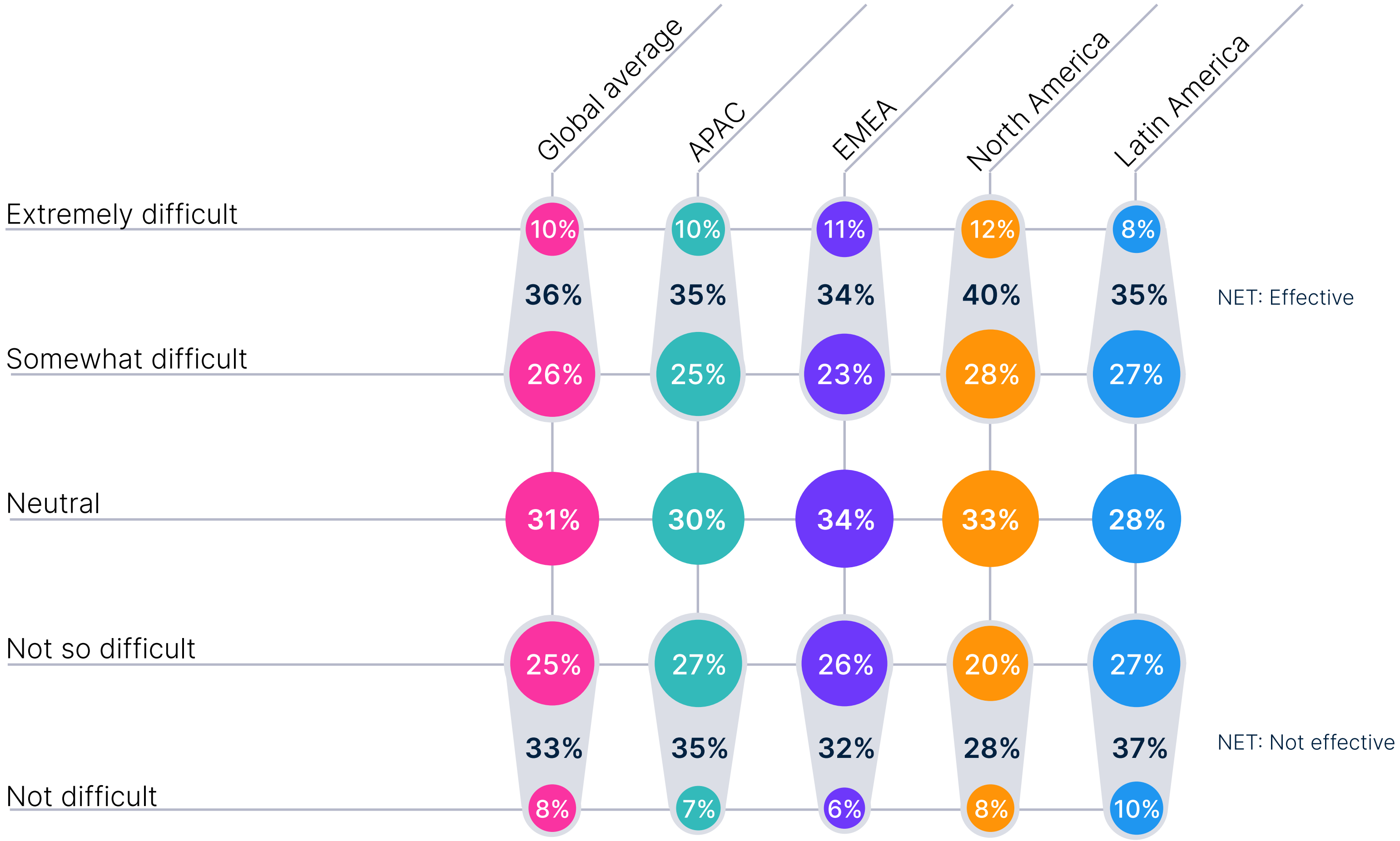
Globally, marketers know how important comparable metrics are in understanding the effectiveness of their ad spending. To obtain their long-term measurement—and business—objectives, however, marketers should consider tools, solutions and metrics that are media-agnostic. Impressions, for example, measure whether a person sees an ad or content are universally applicable. And subminute measurement, which produces individual commercial metrics, brings linear TV and digital video measurement closer to how digital campaign performance has historically been measured.

Globally, 71% of marketers say that comparability in cross-media measurement is important, yet cross-media ROI measurement remains elusive for many, with CTV ad measurement presenting notable challenges. Several of the previously discussed factors related to perceived channel effectiveness and measurement confidence could be relevant here as well. In addition, 62% of marketers, on average, say they find it challenging to know where to use their ad budgets to reach specific audiences given the range of media choice. Even more (69%) agree that digital media and audience fragmentation amid the rise of streaming poses significant challenges to reach their target audiences.

To make the transformation that marketers want and finally achieve comparable cross-media measurement at the individual level, marketers should continue to challenge martech providers by investing in solutions that are focused on delivering measurement that is media agnostic.

CTV—Connected TV; OTT—Over-the-top.

Difficulty with OTT/CTV advertising measurement



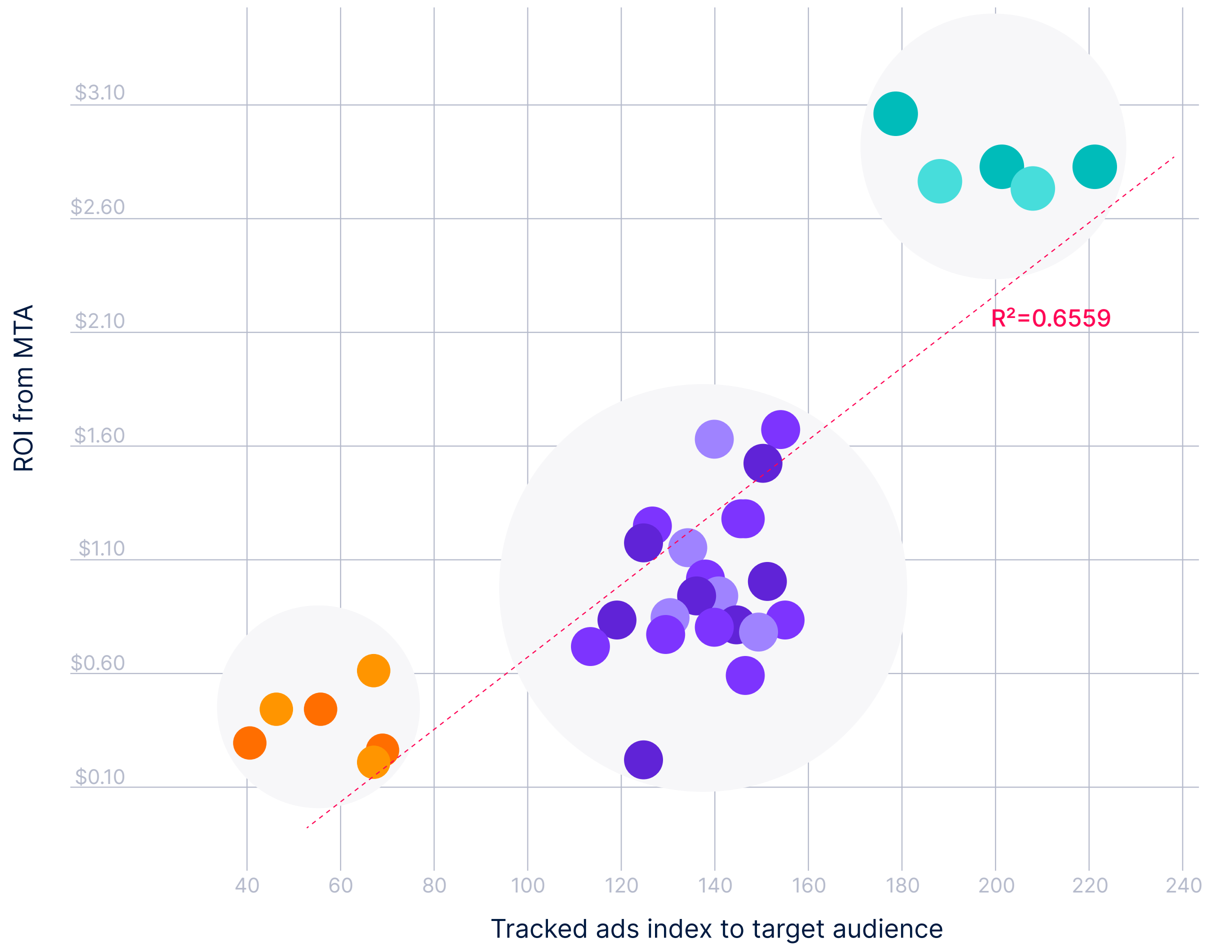
3 Increase your ROI by reaching more of your target audience

The days of having to wait for a campaign to end to assess its performance are over. Understanding how campaigns are performing in near real time should be the way forward on the quest for maximum ROI.

We hear this a lot: Reach more of the right audience and your ROI will increase. Importantly, there's more truth to this statement than many people might realize.

Last year, Nielsen conducted a study involving 15 brands and 82 digital campaigns to verify the correlation between target reach and campaign ROI. When we combined in-flight target measurements from Nielsen Digital Ad Ratings and outcome metrics from Nielsen Attribution, we found one clear truth: Ads that best reached their intended audience generated significantly higher ROI than those that didn't.

Tracking the relationship between targeted ads and ROI



In this example of campaign ROI for a blinded advertiser, the bubbles represent data for one vendor, for one month, on one campaign.

The cluster in the lower left represents an underdelivered audience, generating an average ROI of $0.25 for every $1 spent.

The majority of the activity is in the middle of the chart, generating an average ROI of $1, but ROI did trend higher as the percentage of ads served to a target audience increased.

The cluster in the upper right represents the impact of delivering more ads to the targeted audience, which led to an increased ROI of $2.60 per $1 spent.

Source: Nielsen Digital Ad Ratings and Nielsen Attribution

Targeted reach learnings

Increased campaign reach raises costs and does not guarantee higher campaign ROI

Increased targeted reach will improve campaign ROI

Advertisers can use reach analysis to better understand which audiences to target

Focusing on the most valuable audiences improves efficiency and drives higher ROI

Audience data has always been critical in media planning, but digital connectivity and smart TV proliferation amplify the complexity associated with identifying audiences—and measuring their engagement—within a growing wealth of data. Complexity notwithstanding, media measurement will always depend on having an accurate, person-level view into the audiences engaging with media—no matter how fragmented the landscape becomes.

About this report

This is the fifth Annual Marketing Report Nielsen has produced. It's also the second to be global. The report leverages survey responses of marketers across a variety of industries whose focus pertains to media, technology and measurement strategies. For this report, we engaged 1,524 global marketing professionals who completed an online survey between Dec. 7, 2022, and Dec. 21, 2022.

In terms of seniority level, we engaged global brand marketers at or above the manager level. These managers work with annual marketing budgets of $1 million or more across the auto, financial services, FMCG, technology, health care, pharmaceuticals, travel, tourism and retail industries.

Here are the corresponding sample distributions by region. Please keep these sample sizes in mind when reading and interpreting the charts in this report.

Respondents by region

- APAC: 386 respondents
- EMEA: 374 respondents
- North America: 402 respondents
- Latin America: 362 respondents

TOTAL: 1,524

About Nielsen

Nielsen shapes the world's media and content as a global leader in audience measurement, data and analytics. Through our understanding of people and their behaviors across all channels and platforms, we empower our clients with independent and actionable intelligence so they can connect and engage with their audiences—now and into the future. Nielsen operates around the world in more than 55 countries. Learn more at www.nielsen.com and connect with us on social media (Twitter, LinkedIn, Facebook and Instagram).

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