2021 Marketplace Outlook Survey Results

DECEMBER 15, 2020
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive Summary</td>
<td>3</td>
</tr>
<tr>
<td>Chapters:</td>
<td></td>
</tr>
<tr>
<td>I. Full Year 2021 Ad Budgets</td>
<td>5</td>
</tr>
<tr>
<td>II. Digital Video Deep Dive</td>
<td>12</td>
</tr>
<tr>
<td>III. Strategic Shifts &amp; Tactical Pivots</td>
<td>18</td>
</tr>
<tr>
<td>IV. Preparing for the Loss of 3rd Party Identifiers</td>
<td>23</td>
</tr>
<tr>
<td>V. Diversity &amp; Inclusion</td>
<td>27</td>
</tr>
<tr>
<td>VI. Challenges &amp; Optimism</td>
<td>31</td>
</tr>
<tr>
<td>Methodology</td>
<td>35</td>
</tr>
</tbody>
</table>
Executive Summary

• Buyers are generally optimistic about 2021 while showing some concern for the year ahead:
  o Preparing for a cookie-less future/loss of identifiers
  o The need for 1st party data
  o Cross-platform measurement solutions

• Media budgets will be flexible in 2021; 39% of Buyers report their 2021 budget as ballparked

• Buyers expect a 6% overall increase in their 2021 budget (vs. estimated actual spend in 2020)

• 71% of total U.S. 2021 media budgets will be Digital media, with four areas dominating: 16% Social; 16% Paid Search (SEM); 14% Display; 13% Video

• Buyers report that their Traditional media budget will drop by -5% vs 2020
  ➢ The leading area of Traditional investment remains Linear TV (Note: Traditional media is estimated at 29% of the total media budget for 2021, vs. Digital at 71%)
  ➢ 60% of Digital Buyers plan to shift Linear TV dollars to CTV in 2021; 21% of their 2021 Linear TV budgets are expected to be reallocated to CTV
Executive Summary (cont’d)

- The sales cycle for Publishers and Platforms has been disrupted
  - Nearly two-thirds of Media Buyers are evaluating plans more frequently than they have in years past
  - As a result, the selling cycle is expected to run across the full year, quarter by quarter/month by month
- Buyers expect 46% of their buys to be Direct (vs. 54% Programmatic) in 2021
- Data privacy and ad tracking are top challenges in 2021
  - 41% of media Buyers do not know if their stakeholders have a clear understanding of the implications they will face once cookies and identifiers are terminated/blocked
  - More than a third of Buyers believe that they need more first party data
- Diversity & Inclusion is top of mind…but will the industry take action?
  - Half of Buyers say they are looking to place more business with minority-owned media companies in 2021—although just as many Buyers don’t know whether their company has a specific list of minority-owned businesses on which they can rely
I. Full Year 2021 Ad Budgets
Q: How confident are you in your media budgets for 2021?

- 19%: Firm 2021 full year budgets
- 14%: Firm for Q1 2021, flexible for rest of year
- 10%: Firm for 1H 2021, flexible for rest of year
- 39%: Total 2021 firm, flexible throughout the year
- 8%: Ballpark estimates for 2021
- 10%: No idea

No matter what the number, media budgets in 2021 will be flexible
Overall, 2021 ad budgets are up—with Digital increasing by double digits

Traditional media is down 5% (vs. 2020 est. actual spend)

Est. % Change Ad Budget Y/Y 2021 vs Est. Actual 2020

- Total Spend: 6%
- Digital Spend: 14%
- Traditional Spend: -5%

n=178
Q: With your portfolio of brands/client’s brands in mind, please share the percent +/- budgeted for 2021 media vs estimated actual spend in 2020.
Digital media is expected to represent 71% of total budgets

2021 Budget: Share by Channel

- Digital Media: 71%
- Traditional Media: 29%

Q: Please identify the percent share of your 2021 budget by CHANNEL.
Social, SEM, Display, and Video = nearly 60% of 2021 total budgets

2021 Budget Share by Digital Channel

- Social Media: 16%
- Paid Search (SEM): 16%
- Digital Display: 14%
- Digital Video (incl. OTT/CTV): 13%
- Digital Audio (excl. Podcasts): 5%
- Podcasts: 4%
- Digital Out-of-Home: 3%

n=178
Q: Please identify the percent share of your 2021 budget by CHANNEL.
A near-even split between Programmatic and Direct buys is expected in 2021.

2021 Budget Share by Buy Type

- Programmatic: 54%
- Direct: 46%
Within the Traditional media budget, Linear TV will get the majority

2021 Media Budget
Share by Traditional Channel

15% = Linear TV...

13% = all other Traditional, combined

15% = Linear TV (Broadcast/Cable)
4% = Terrestrial Radio
4% = Traditional Out-of-Home
3% = Print (Newspr/Mag)
3% = Traditional Direct Mail

Q: Please identify the percent share of your 2021 budget by CHANNEL.

n=178
II. Digital Video Deep Dive
Digital Video Buyers are shifting budget from TV and Digital Display to CTV

**Sources for 2021 CTV/OTT Ad Budgets**

- Overall budget increase: 34%
- Digital Display: 37%
- Digital Audio: 8%
- Digital Out-of-Home: 11%
- Linear TV (Broadcast/Cable): 60%
- Terrestrial Radio: 6%
- Print (Newspr/Mag): 11%
- Traditional Out-of-Home: 11%
- N/A: 9%

*Q: You indicated that you have budgeted media spend for Digital Video in 2021. Does this include OTT/CTV, and if so, where will you be sourcing the OTT/CTV budget from?*
On average, Digital Video Buyers are moving 21% of their Linear TV budgets to CTV.

Average shift of budget from Linear TV to CTV in 2021 is 21% among Digital Video Buyers.

Q: What percent of budget are you shifting from Linear TV to OTT/CTV in 2021?
Buyers see CTV as more targeted, efficient and scalable

Reasons for Shifting Budget from Linear TV to OTT/CTV

Among Buyers Shifting Linear TV Budget to OTT/CTV in 2021

- Targeting and efficiency: 81%
- Incremental reach: 55%
- Opportunity to optimize creative: 27%
- Cost effective CPM: 24%
- Proven ROI: 18%
- Better consumer ad experience: 16%
- Other: 11%

Buyers Shifting Linear TV Budget to OTT/CTV in 2021, n=74
Q: Why are you shifting budget from Linear TV to OTT/CTV? Select up to 3 options.
CTV is valued most for its ability to reach younger audiences

CTV/OTT Delivers Better than Linear TV in terms of...

- Ability to reach younger audiences: 58%
- Fast optimization: 52%
- Easier to cancel: 48%
- Ability to measure ROI: 46%
- Efficiency: 41%
- Overall Reach: 24%
- Other: 7%

Q: Which, if any, of the following do you think CTV/OTT delivers better than Linear TV in terms of the big screen?
Branded Content and Stories will lead Digital Video ad formats in 2021

### Digital Ad Formats Expected to be Created in 2021
*Among Buyers with Digital Video as part of 2021 Media Budgets*

<table>
<thead>
<tr>
<th>Ad Format</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branded video content ads</td>
<td>57%</td>
</tr>
<tr>
<td>Social video story ads</td>
<td>54%</td>
</tr>
<tr>
<td>Vertical video ads</td>
<td>37%</td>
</tr>
<tr>
<td>Interactive video ads</td>
<td>32%</td>
</tr>
<tr>
<td>Shoppable video ads</td>
<td>29%</td>
</tr>
<tr>
<td>AR-powered video ads</td>
<td>8%</td>
</tr>
<tr>
<td>Under 15 sec video ads</td>
<td>65%</td>
</tr>
<tr>
<td>15 or 30 sec video ads</td>
<td>64%</td>
</tr>
<tr>
<td>60 sec or longer video ads</td>
<td>19%</td>
</tr>
<tr>
<td>All of the above</td>
<td>6%</td>
</tr>
</tbody>
</table>
III. Strategic Shifts & Tactical Pivots
Are you shifting strategies and/or tactics in 2021 as a result of continuing societal, health and market challenges?

- Increasing ad tactics to better promote E-commerce shopping options/drive E-com sales: 50%
- Increasing creative testing: 47%
- Increasing testing of placements for incremental reach: 41%
- Shifting away from media that present upsetting/controversial and inappropriate content posted by users: 41%
- Decreasing ad tactics that focus on brick-and-mortar retail sales: 8%
- None of the above: 12%
Buyers will focus on performance marketing in 2021

Cause-related and mission-based advertising spiked at the end of Q1 and during Q2 of 2020; the pendulum swing to Performance marketing in Q3 of 2020 will continue in 2021

2021 Commitment by Type of Creative

- **Mission-Based Marketing**
  - Increase/New to Plan: 21%
  - New to Plan: 7%
  - No Change: 53%
  - Decrease: 3%
  - Never Plan to Use in 2021: 16%

- **Cause-Related Marketing**
  - Increase/New to Plan: 27%
  - New to Plan: 9%
  - No Change: 43%
  - Decrease: 3%
  - Never Plan to Use in 2021: 18%

- **Brand Equity**
  - Increase/New to Plan: 47%
  - New to Plan: 5%
  - No Change: 34%
  - Decrease: 10%
  - Never Plan to Use in 2021: 4%

- **Performance Marketing**
  - Increase/New to Plan: 64%
  - New to Plan: 2%
  - No Change: 27%
  - Decrease: 4%
  - Never Plan to Use in 2021: 3%

Q: Please indicate the commitment to each type of creative you expect to run in 2021 for your brand portfolio/client’s primary brand.
Diversity messaging leads cause-related creative in 2021

Causes Buyers Expect to Support with 2021 Creative
*Among Buyers Planning to Leverage Cause-Related Marketing in 2021*

- Support of Diversity (Any/All): 72%
- Medical Treatment/Health/Wellbeing/Care for Adults: 35%
- Medical Treatment/Health/Wellbeing/Care for Children: 32%
- Support of Black Lives Matter: 21%
- Support of Religious Group(s): 1%
- Other Causes: 20%

Buyers Planning to Leverage Cause-Related Marketing in 2021, n=111
Q: Please indicate causes you expect to support through your creative in 2021.
There is a re-evaluation of news for Buyers in 2021

21% plan to increase spending for news advertising placements

Plans for Ad Adjacency with News Content in 2021

- Increasing ad adjacency in news content
- Decreasing ad adjacency in news content
- Testing the ROI of news adjacency
- Do not plan to run ads adjacent to news content
IV. Preparing for the Loss of 3rd Party Identifiers
On average, Buyers rate their organizations’ level of preparedness for the loss of third-party identifiers to be:

3.5

1 – Do not know 2 3 4 5 – Very prepared

Q: Thinking specifically about the loss of third-party identifiers, how well prepared do you believe your organization to be? (1-do not know, 5-very prepared)
Buyers may not fully understand the impact of 3rd party identifier loss

% of Buyers who think the below are possible after cookie/identifier is blocked/removed

- Retarget: 40%
- Audience segmentation via A/B testing: 35%
- Implement addressable / People-based marketing tactics*: 33%
- Create cross-device / Multi-touch attribution models: 30%
- Manage dynamic ad insertion: 24%
- All of above: 19%
- None of above: 13%

Q: Which of the following do you believe your teams will still be able to do (at the same scale/level currently or more) after the loss of cookies / identifiers? Select all that apply.

*nwithout 100% use of owned first-party data

n=135
Buyers are managing multiple partners in preparation for changes in privacy

Types of organizations partnering with the Buy-side to prepare for privacy policy changes

- **Analytics / CRM**: 55%
- **Media / Marketing**: 44%
- **Technology / Website**: 42%
- **Legal / Compliance / Policy**: 33%

### Internal Departments

- **Technology Vendors**: 41%
- **Publishers**: 25%
- **Media or Consulting Agency**: 22%
- **Identity Resolution Partners**: 19%
- **All of the above**: 24%
- **None of the above**: 5%

### External Partners

Q: Which of the following departments and partners are you working with to prepare for the coming decline of cookies and other third-party identifiers (e.g., IDFA)? Select all that apply.

n=135
V. Diversity & Inclusion
Half of Buyers intend to INCREASE spend in minority-owned media in 2021

Buyers Looking to Place More Advertising with Minority-Owned Media in 2021

- 50% Yes
- 50% No
Buyers looking to increase advertising with minority-owned media expect an increase of 26% for minority-owned media.
But half don’t know if they have a preferred list of minority-owned media

Minority-owned Media Selection Process

- SSP has a preferred list of minority-owned media: 30%
- Aggregated own list of minority-owned media: 51%
- Unsure: 13%
- Other: 6%

If your company has a minority-owned media list, please contact Research@iab.com to help build a comprehensive list for the industry.
VI. Challenges & Optimism
Greatest Concerns for Media Spend & Measurement in 2021

- Not all stakeholders understand the ramifications of current/impending consumer privacy regulations, loss of cookies and identifiers: 41%
- Don’t currently have/don't have enough first-party data: 37%
- Haven't figured out cross-media measurement yet and are burning through budgets to get there: 28%
- Not set up/not set up well for E-commerce: 17%
- Brands are "non-essential" during COVID: 16%
- Do not have budget/creative capabilities to increase or add spend for OTT/CTV: 15%
- Other: 13%

Q: What are your greatest concerns regarding media spend and measurement for 2021 and why? Select all that apply.
Buyers are responding to a dynamically-changing world

**Approach to 2021 Media Budgets**

- Evaluating and reforecasting more frequently: 64%
- Now have a contingency plan: 12%
- No longer budgeting for the long term: 17%
- Things are being handled the way we always have: 25%

---

Q: Is your approach to media budgeting in 2021 different than in years past? Select all that apply.
Key reasons for Buyer optimism: e-com, ad/channel testing, and surer footing

Better economy

Test new channels and diversify spend

Increase in consumer online shopping

More support of media owners with Brand Suitable business practices

CPM will drop for OTT

Accelerate adoption of technology

Better omnichannel experience

Brand ability to adapt (and pivot)

Return of spend to OOH and cinema

We feel our current clients (and agency) are COVID-resistant at this point
Methodology
Survey sample: profile

- 15 min. survey
- Fielded Nov 12-Nov 30, 2020
- N=266 from those who have purview into US advertising spend and revenue in 2020.

Respondents include Brand and Agency:
- Media planners
- Media Buyers
- Marketers

Note: Sample size varies by question and indicated
Survey sample: by category

Respondents to this survey were comprised of both brands and agencies representing a wide spectrum of U.S. advertising categories:

- Financial services: 28%
- CPG – Food/Beverage: 25%
- Health/Healthcare (non-OTC and DTC): 23%
- Automotive and related: 22%
- Travel & Tourism: 20%
- Retail – brick and mortar: 19%
- Retail – online: 18%
- CPG – Household Products/Other: 17%
- Pharmaceuticals (OTC and DTC): 17%
- Apparel/Fashion: 16%
- CPG – Cosmetics and Toiletries: 16%

*Other Categories include:
- Education/Government
- Media
- Restaurants
- Consumer Electronics
- Technology
- Baby, Child or Parenthood-related
- Beer, Liquor and Wine
- Home & Appliance
- Fitness and Wellness
- Telecommunications
- Energy
- Gaming
- Real Estate
- Jewelry & Watches
- Pets/Pet Supply
- Politics, Organizations or Public Services
- Toys and Hobbies
- Misc.
The Interactive Advertising Bureau (IAB) empowers the media and marketing industries to thrive in the Digital economy. Its membership is comprised of more than 650 leading media companies, brands, and the technology firms responsible for selling, delivering, and optimizing Digital ad marketing campaigns. The trade group fields critical research on interactive advertising, while also educating brands, agencies, and the wider business community on the importance of Digital marketing. In affiliation with the IAB Tech Lab, IAB develops technical standards and solutions. IAB is committed to professional development and elevating the knowledge, skills, expertise, and diversity of the workforce across the industry. Through the work of its public policy office in Washington, D.C., the trade association advocates for its members and promotes the value of the interactive advertising industry to legislators and policymakers. Founded in 1996, IAB is headquartered in New York City.

For more content, please visit iab.com