Tipping Point:

How the Shift of Live Sports to Streaming is Accelerating the Growth of CTV Advertising

Table of Contents

New Data Driven by The Changing Mentality Behind The Big Screen

Advertisers understand that video continues to be the most persuasive form of communication, and the combination of sight, sound, and motion helps bring a candidate or cause to life. This is why the living room TV has long been considered a prized advertising platform.

However, the living room TV experience has changed dramatically in recent years. The COVID-19 pandemic accelerated the shift in usage of CTV. As people were forced to stay at home and social distance, many turned to existing and emerging CTV services. According to a Nielsen report, usage time on CTV devices increased 81% year-over-year during the pandemic and those viewership levels continued to grow in the years to follow.

Due to these ever-expanding options, Americans are watching a wider variety of content, and "premium" content is more personal to what topics they're interested in. Regardless of the shift in consumption methods, video is going nowhere. Americans still love video. We are allowing data to track shifting trends in *how* they are consuming it. Data from Statista shows that Americans' time spent watching digital media has increased every year since 2011.

Streaming Data Indicates a Tipping Point on the Horizon

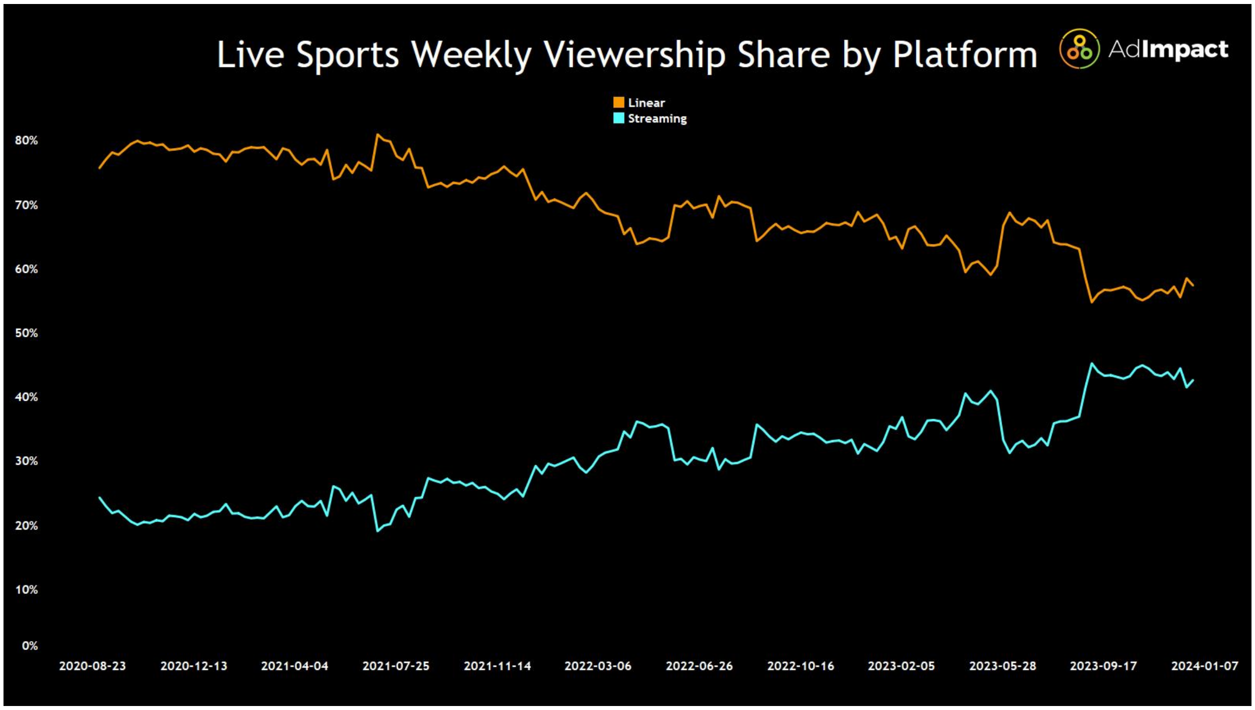
AdImpact shows that the gap between streaming and linear TV users continues to expand. There are now two CTV viewers for every one linear viewer in the United States. Share of consumers who have a subscription to a streaming service has grown from 52% in 2015 to 83% in 2023. This growth is being driven by the evolution of emerging technologies, the development of original content, including live sports, and the adaptability and flexibility of on-demand content accessibility.

Despite this trend, political media budgets have paced at generally consistent growth rates for broadcast television. In the 2020 and 2022 election cycles, the majority of spending still landed on linear television, accounting for 77% and 73% of spending each year respectively.

The accelerating shift of live sports away from linear TV may be the tipping point that directs political media budgets towards streaming en masse. According to GroupM, sports now make up 23.5% of all national TV hours watched in the US, compared to just 14.1% in 2018. Live sports are historically a major driver of linear TV viewership, and their migration to streaming platforms could lead to a notable fragmentation in linear TV viewership.

Video Viewership Trends Point To A Tipping Point Between Linear and Streaming

Traditionally, the belief is that linear TV is the exclusive way to reach large audiences. This conventional wisdom has been re-examined in recent years as we see shifting marketing strategies by key measurement firms. Live sports, among other genres, continue to impact viewership trends as more and more sporting events are being viewed on streaming-only platforms. The research team at AdImpact recently released data showing that the weekly share of users watching live sports on streaming has nearly surpassed 50% for the first time. This data is based on a dataset of over 20 million devices.



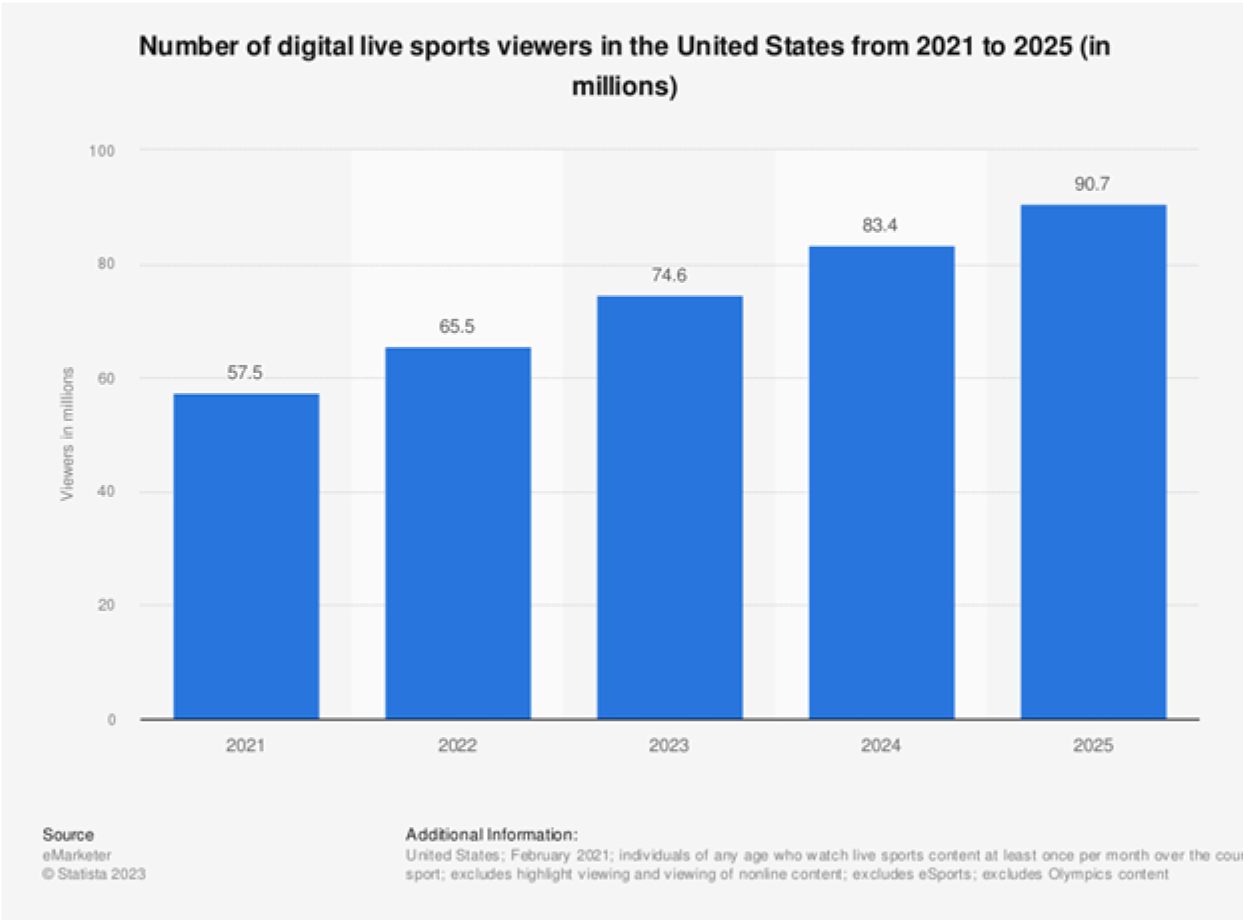
The growth of streaming is driven, in part, by the growing number of Connected TVs in US households. In 2022, there were an estimated 109 million connected TVs in US households, a number which is expected to increase to 111 million in 2023. New research from LRG found that 87% of U.S. TV households have at least one internet-connected TV device.

Connected TV devices include things like Smart TVs, stand-alone streaming devices (Roku, Amazon Fire TV Sticks, Chromecast, or Apple TV), connected video game systems, and/or connected Blu-ray players. Linear TV viewership has been declining for several years. MoffettNathanson forecasts that broadcast viewership will decline by an additional 10% in 2023, while cable viewership will decline by another 20%. By 2024, linear TV subscribers are expected to decline by 27 million, down to less than half of U.S. households.

Acceleration of Sports Content to Streaming

The rise of streaming services has led to a digitization of entertainment. With seemingly endless archived on-demand content available, viewers can now watch any show or movie anytime they want. This advancement has been a major catalyst in the growth of streaming. We see live sports programming driving a significant portion of that growth.

Live sports attract some of the largest TV audiences in the United States, with millions of viewers tuning in across leagues of all levels. One in four Americans say they watch at least 5 hours of live sports every week. According to Statista, over 74.6 million people are projected to watch digital live sports at least once per month over the course of the season for at least one sport. This figure is expected to rise to over 90 million people by 2025.



Historically, sports and news have been the main media sources that push viewers towards live content, whether streaming or linear. Live sports have been a cornerstone of programming for broadcast and cable media packages for decades. However, the digitization of entertainment is also changing the way people watch live sports as that prized content is widening its competitive footprint.

We see this open competition across the industry with shifting relationships between cable companies, content distributors, and sports leagues. Along with this fragmentation and increased pressure on securing live inventory, we are seeing historic shifts in competitive approaches.

We are following the trends of sports leagues across the country as they begin to more readily test viewership and airings opportunities spanning several different streaming platforms. From the NFL to MLB, to MLS, we have seen options for viewership expand over recent years.

When Lionel Messi announced he was coming to the MLS to play for Inter Miami it shocked many around the world. However, perhaps even more shocking was the subsequent report that Apple TV, who have a $2.5B rights agreement with MLS, could be sending a portion of those subscription sales to Messi as part of the deal, according to The Athletic.

Major League Baseball was considered the gold standard for sports streaming in the United States. Over two decades ago the MLB.tv app streamed its first game and pioneered sports streaming for years to come. Now, baseball fans can find stream games on MLB.tv , Apple TV, or even Peacock.

College sports fans are rapidly becoming familiarized with a range of streaming platforms as the media rights arms-race among top conferences heats up. College football and basketball conferences, like the Big 10 and SEC, are signing multi-billion dollar media contracts that can include streaming-exclusive games. NCAA March Madness, once viewed as immune to the effects of cord-cutting, has seen a significant change in viewership behavior with 42% of viewers now streaming the tournament – an increase of 17% YoY.

And the crowned jewel of US professional sports? The National Football League just inked a $2 billion dollar deal that puts its coveted out-of-market games package, "Sunday Ticket," exclusively on YouTube TV. NFL Commissioner Roger Goodell spoke about the need to "focus on the increased digital distribution of our games," when asked about the driving force behind the YouTube TV partnership. YouTube CEO, Neal Mohan, views the Sunday Ticket deal as a unifying force that will combine live NFL games with popular organic content that is the foundation of YouTube. "There will be Shorts content. There will be long-form content that lives on the NFL channel, but also on the channels of all these creators," Mohan told AdAge.

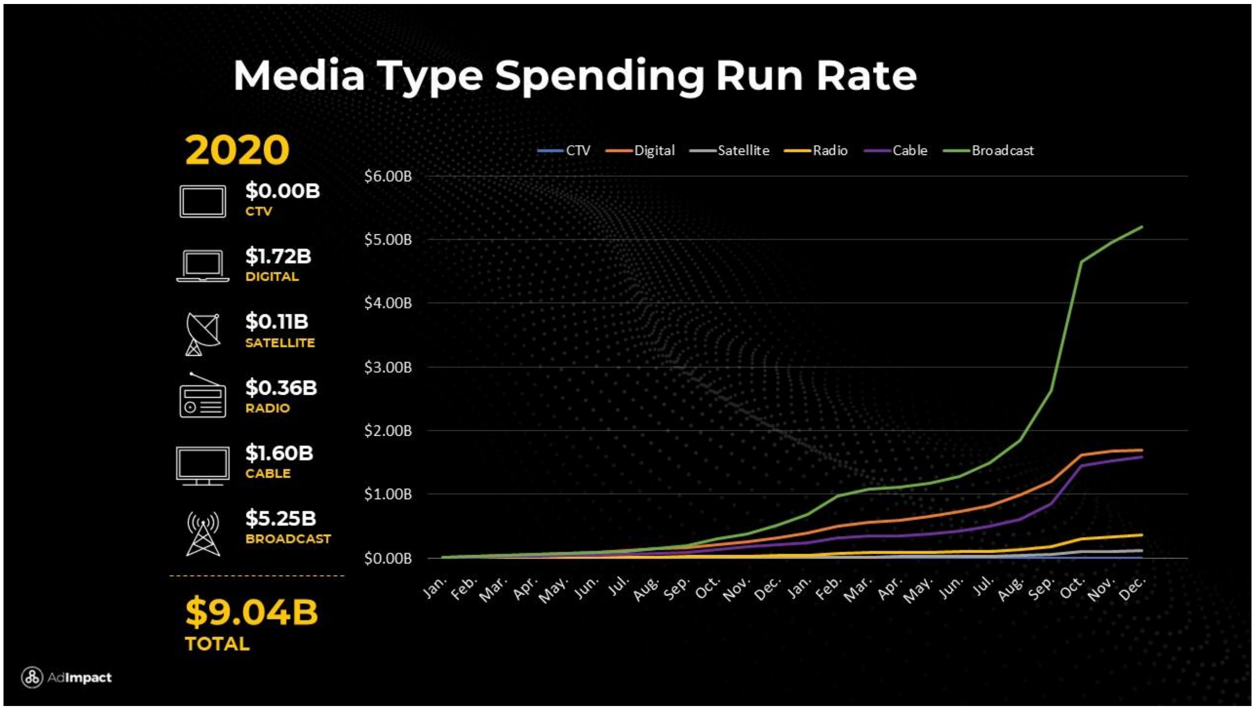
With their entrance into live sports rights, Michael Nathanson of MoffettNathanson believes that, "YouTube is a gatekeeper going forward." Nathanson went on to explain that "live sports are the glue" that holds content distribution together.

As Regional Sports Networks deal with ever shifting trends, more and more leagues could be eyeing a safe harbor for their broadcasting rights on streaming platforms. The number of digital viewers of live sports in the U.S. just topped over 57 million people this year and is expected to surge to 90 million people in 2025, a 26% increase.

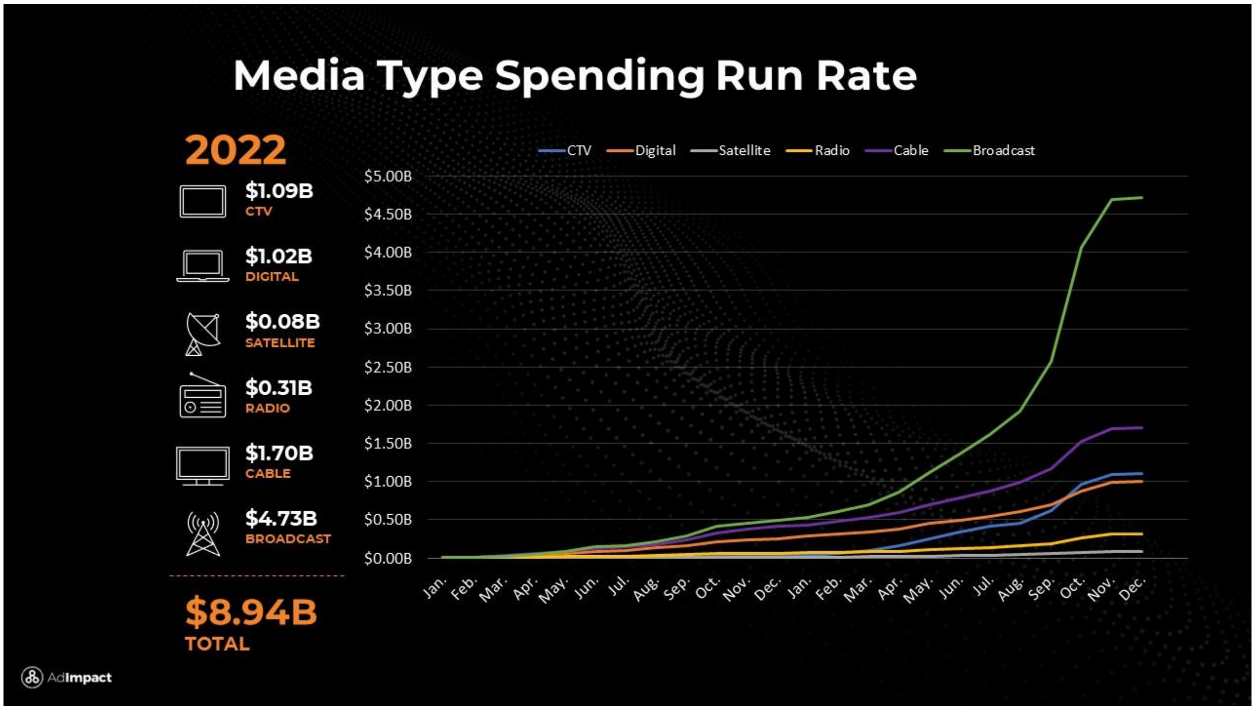
Despite all of the fragmentation and significant shifts in where to find the content, one thing is clear: Americans love sports and will follow them wherever they go – including to streaming platforms.

What Can We Learn from Past Election Cycles about Reaching Voters Through Streaming + Linear?

AdImpact's recently released research at the 2023 AAPC Pollies shows that political ad buyers have not adjusted for the shift in how and where media is being consumed. The majority of spending in the 2020 and 2022 election cycles still landed on broadcast television with $5.25B and $4.73B in media buys, respectively:



When compiling all types of linear television (satellite, cable, and broadcast) the numbers for the 2020 and 2022 cycles jump to $6.96B and $6.51B, respectively.



Despite fewer Americans consuming linear television, political linear budgets continue to dwarf CTV budgets. A common strategy employed in media marketing is to "follow the viewer." However, research shows that the viewer is moving to streaming and political media budgets are not following them at equal pace. For political advertisers, this meant that well over 70% of total media budgets in 2022 went to linear TV.

According to the new 2023 Nielsen Marketing Report, on average, 45% of ad budgets are moving to streaming globally. The data above indicates that American political advertising is significantly behind in budget shifts to streaming.

Streaming on connected devices gives advertisers a direct line of communication to viewers when they are highly engaged. Those connected devices are reaching audiences where it matters most and this audience is locked-in while streaming their favorite content on the big screen.

Recent news that Disney is weighing the sale of the company's linear TV business should catch the attention of every advertiser in the country. The media giant has indicated that it will sell off linear assets as large as ABC, while keeping ESPN. This further emphasizes that live sports now move the needle on its own – without the need for broadcast.

This begs the question: If a media staple like Disney is divesting from linear TV, why haven't political advertisers followed suit?

What Does This Mean for Political Advertisers?

In political advertising, reach is king. The ability to reach as much of your target audience as possible is what sets apart the best media buyers. Does shifting the budget to streaming allow advertisers to unlock more reach?

New research from Google shows that advertisers that shifted budgets to CTV in key 2022 races were able to reach their target audience where they were – in front of the CTV screen.

A recent cross-media Google study showed from May through July in the 2022 Georgia Senate race YouTube reached over 3.5M people in the campaigns' target audience and within that audience over

50% saw a YouTube ad on the TV screen. This same theme popped up across a number of bipartisan cross-media studies for key races nationwide:

- In October of the 2022 Wisconsin Senate race, linear and YouTube ads combined to reach over 90% of the campaigns' target audience, and over 45% of YouTube ads were on the TV screen
- In October of the 2022 Pennsylvania Senate race, linear and Youtube ads combined to reach over 80% of the campaigns target audience, and over 45% of YouTube ads were on the TV screen
- In October of the 2022 Pennsylvania Governor race, linear and Youtube ads combined to reach over 85% of the campaigns target audience

This aligns with the 2023 Nielsen data that over 50% of ad-supported CTV watch times happen on YouTube's CTV App.

How are Marketers Adapting?

How do political advertisers adapt their strategies to reach Americans where they're watching as they head into the 2024 Presidential cycle? Keeping up with voters' media behaviors to reach and persuade them can feel complicated, but it doesn't have to be. Here are our recommendations to make sure that media buyers are maximizing the effectiveness of their budgets in the upcoming election:

- Reach audiences **where** they are watching.
    - As cord cutting accelerates, almost 100 million Americans will not be reachable on traditional TV. Yet these Americans can still be reached in their living rooms if advertisers appropriately budget for the growth of streaming.
- Engage **early** to build momentum.
    - Shape the narrative around your candidate, as well as the opposition, by starting your persuasion campaigns early. In the 2022 election, roughly 50% of swing voters had decided who they were going to vote for by late August, according to POS polling.
- Measure and **optimize** your strategies.
    - Leverage cross-media reporting tools throughout the cycle to optimize reach and frequency across your channels. Use the array of tools and competitive reports at AdImpact to track industry trends, new creative narratives, and create custom media plans to hit your goals.

What's Next?

AdImpact's data detailing the rise of streaming alongside the projected spending breakdown of the 2023-2024 Election Cycle shows that political advertisers continue to be cautious in adopting streaming en masse. As more and more live sports move to streaming outputs, will this be the catalyst for political budgets to follow them? Here at AdImpact, we will be following the trends surrounding share-shifting that is possible for the 2024 cycle for advertisers who want to follow their audience as they consume content in these expanded ways. Historically, political advertisers will continue to leverage the persuasive power of video sight, sound, and motion to reach and persuade Americans. Will marketers allot additional advertising dollars towards Connected TV as these shifting trends accelerate? 2024 should provide additional clarity.

About AdImpact

AdImpact is a leading advertising intelligence (SaaS) company. We specialize in tracking and analyzing advertising data across various media channels, including traditional, digital, and emerging platforms. Our real-time monitoring captures over one billion TV ad occurrences daily. We maintain the industry's largest ad catalog consisting of over 1.2m unique creatives. Our coverage extends across all 210 designated market areas (DMAs), over 41,000 zip codes, and across more than 20 million IP addresses. Currently, we capture data and analytics for over 88,000 brands and advertisers. Our reliable real-time data and analytics empower users to monitor competitor ad occurrences, spending, messaging, and creatives, facilitating quick and informed decision-making. To learn more about AdImpact's capabilities, please visit www.adimpact.com or request a demo.

Contact Us:

John Link, Vice President, Data
jlink@adimpact.com
adimpact.com