



REPORT Q1 2023

CHANGE THE CHANNEL

What Marketers Should Know About the Evolution of TV Advertising



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INTRODUCTION

Introducing Change the Channel, a quarterly report on the rapidly changing state of TV advertising.

There are few technologies that have been quite as influential in shaping American culture as TV. Over the decades, it has united people across the country as they watched history-making moments. (The Apollo 11 moon landing is not a sight you'd be likely to forget.) It has brought audiences to both laughter and tears with the rise of the sitcom, then reality TV. And through TV advertising, it has introduced consumers to what are now some of the biggest brands in the world.

For marketers, TV advertising is still a radically powerful channel. But it's not the same channel it was fifty, or even five, years ago. And it's still evolving—sometimes so quickly, it can be tough to keep up.

In the last few years alone, the popularity of streaming and Connected TV has pushed advertisers into a race to keep up with consumers' changing viewing behavior. New measurement technology has led to critiques of the traditional audience panels.

And while TV advertisers historically developed either large brand-building campaigns or commercials intended to drive immediate response, there's now a growing segment of brands developing performance campaigns designed to do both.

And that's barely scratching the surface of TV's evolution.

This report is designed to keep marketers informed on the biggest changes in TV advertising, including viewership and ad spend predictions, performance trends, creative best practices, and measurement advancements. The hope is it will share insights on how to maximize results for current TV advertisers and provide resources for those still considering the channel.

Because, if we've learned anything over the years, it's that TV advertising can transform businesses. That alone makes it a channel worth watching.

SURVEYING THE MEDIA LANDSCAPE

This section covers viewership trends across linear and streaming TV. And how advertisers are responding.

The Linear Review

In 2023, linear TV viewership will continue to gradually decline. Annual viewership is forecasted to be down 6% compared to 2022 (fig. 1).

But from Q4 2022 to Q1 2023, the decline is extremely minimal. Total viewership for ages 18+ is down just 0.16%. Prime time is the exception, with a 14.3% drop in viewership.

Some of the Q1 decline can be attributed to a reduction in sports viewing. In Q4 2022, sports viewership exploded 40%, thanks primarily to football and the FIFA World Cup, which saw record numbers in the US. In fact, the USA vs England match in November was the most watched men’s soccer match in US history, reaching 19.65 million viewers.

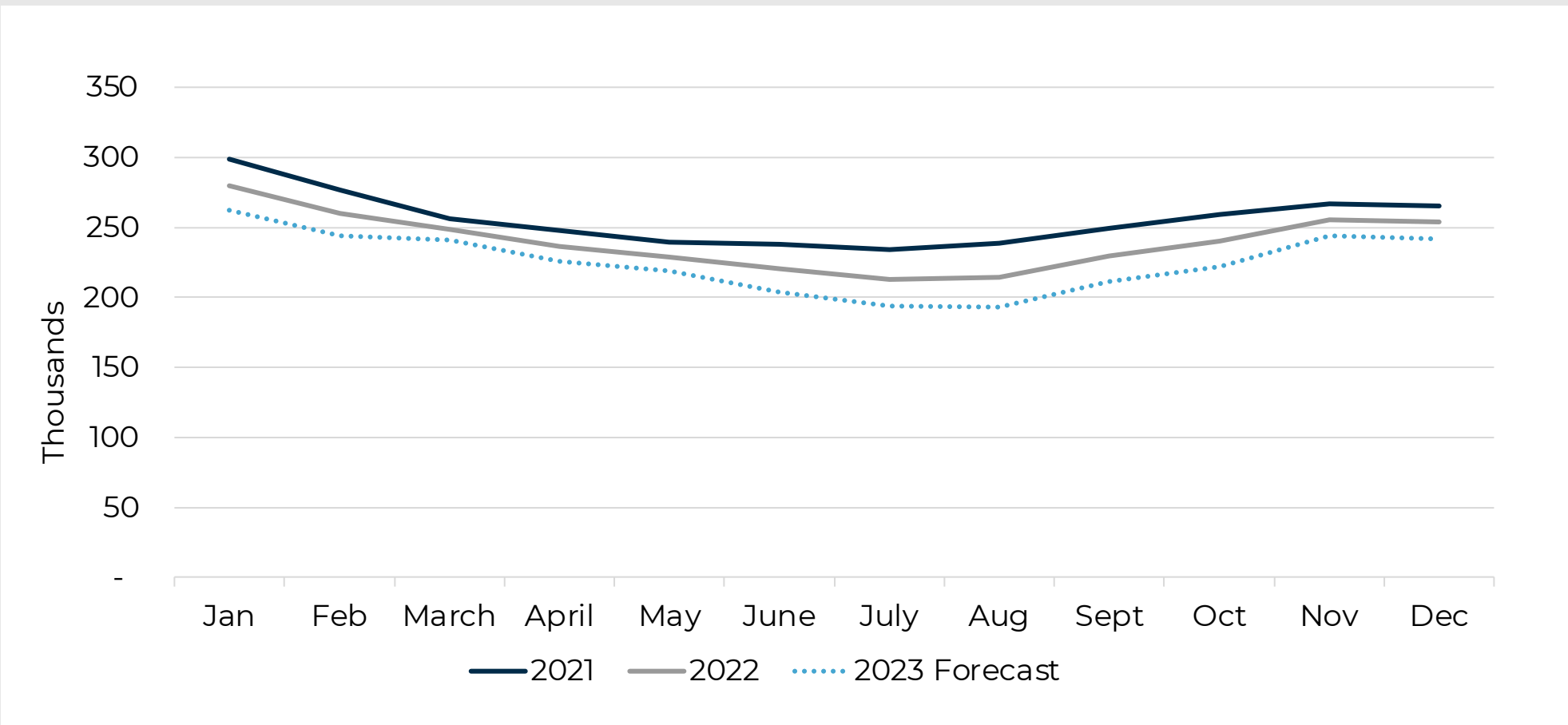
The start of 2023 didn’t see the same

record-setting viewership overall, although events like the College Football National Championship, NBA All-Star Week, and the NFL playoffs continued to attract large numbers (fig. 2).

For example, football’s Big Game drew more than 113 million viewers. (Nearly 119 million viewers tuned in for Rihanna’s halftime performance.) It was the most-watched Big Game since 2017, and the third most-watched TV program ever. It also set records for digital viewership, with streams reaching seven million. This was an 18% increase over 2022 streams, but still just a fraction of TV viewership.

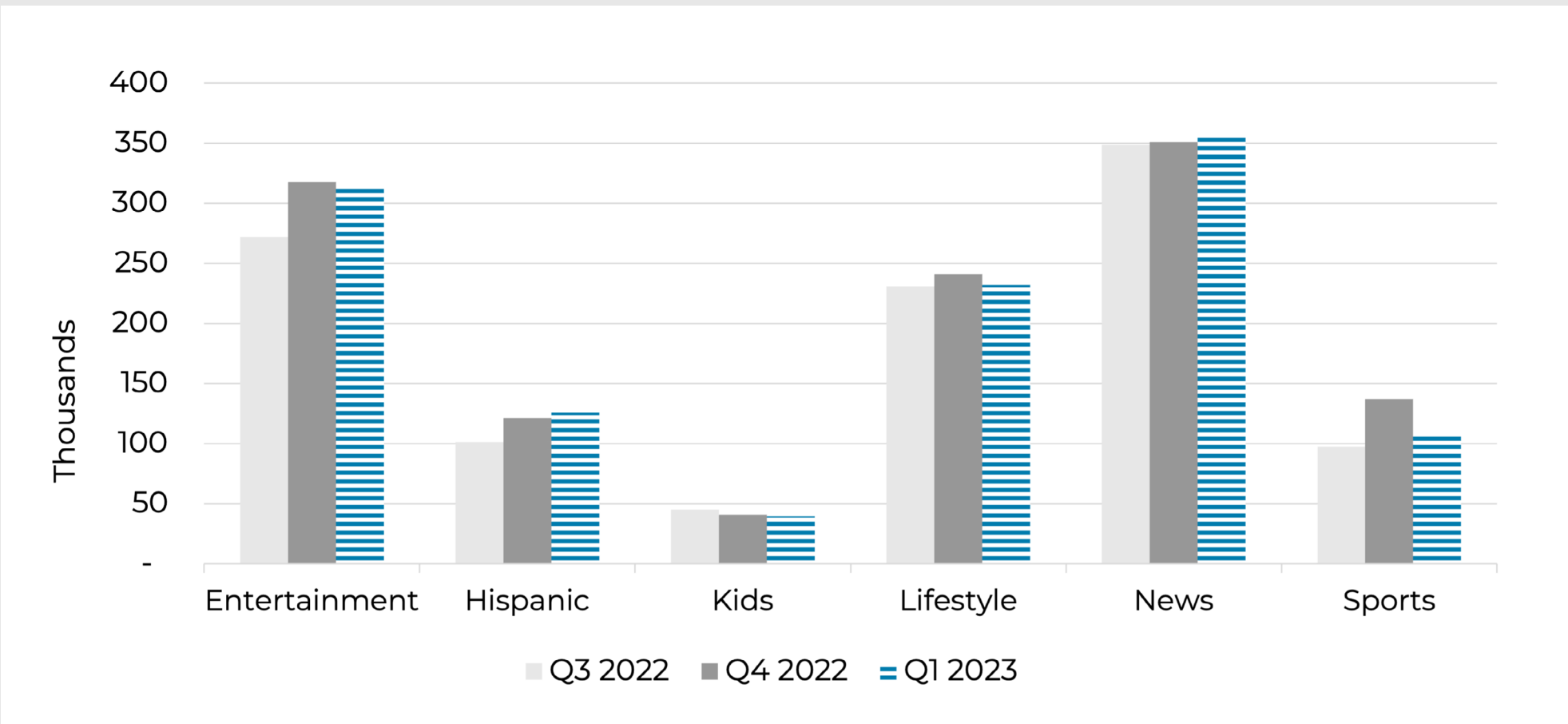
Brands were clearly willing to pay to reach audiences of this size. Most Super Bowl spots this year were sold for between six and seven million dollars. And that’s not

Average A18+ Linear TV Viewership (fig. 1)



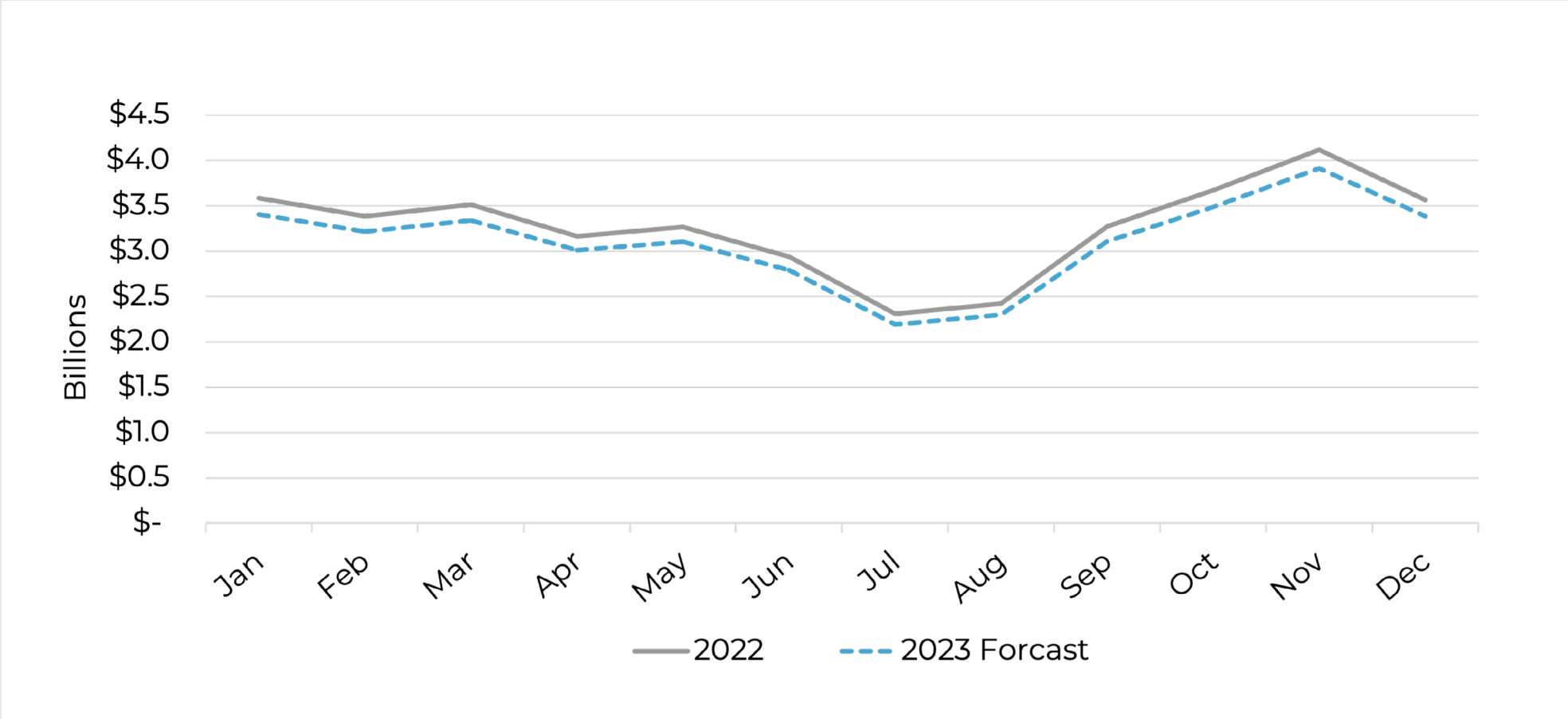
Source: Nielsen NNTV & First Party Data, Broadcast Month

Average Quarterly Viewership (fig. 2)



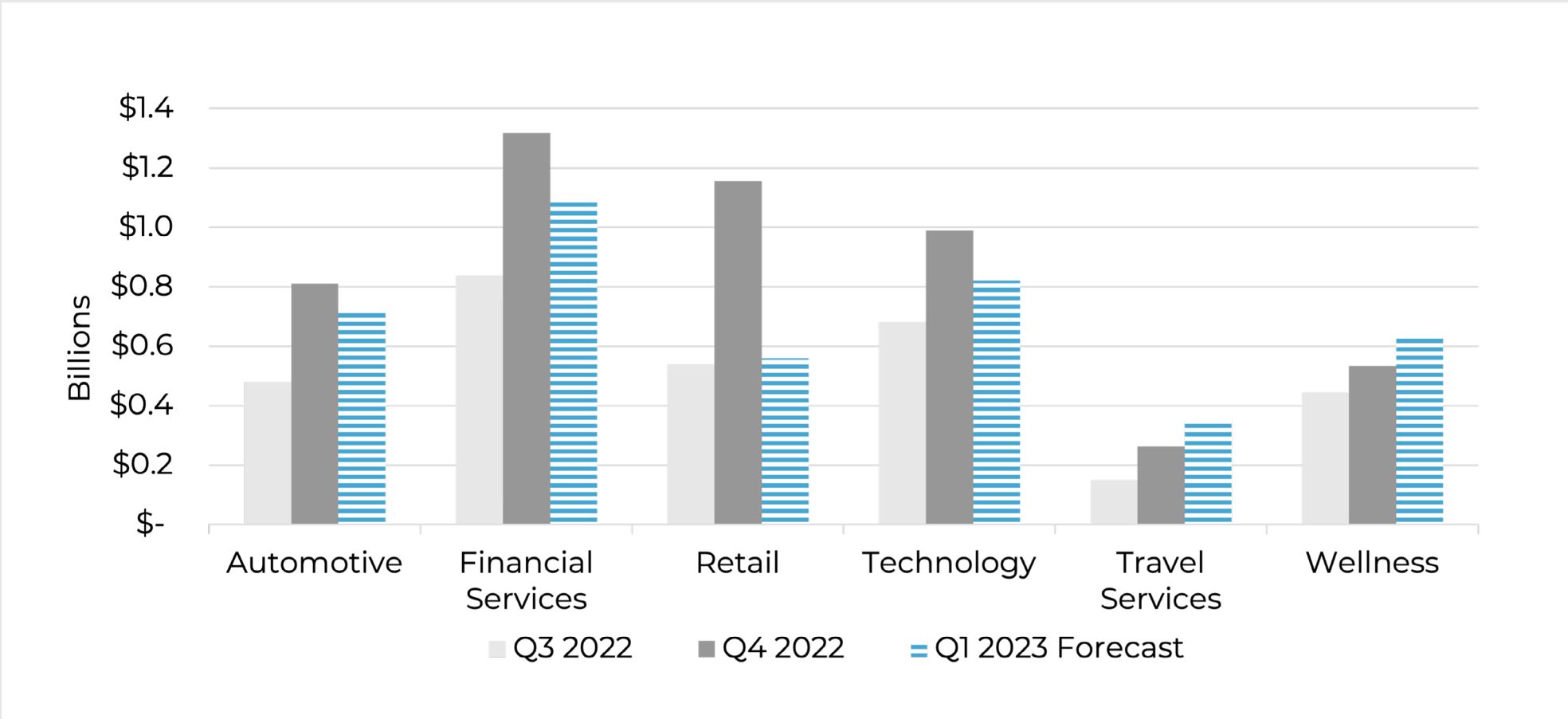
Source: Nielsen NNTV & First Party Data

Monthly Ad Spend: National TV (fig. 3)



Source: Standard Media Index, Calendar Month

Quarterly Ad Spend: National TV (fig. 4)



Source: Standard Media Index, Calendar Month

even beginning to account for production costs—many spots featured multiple celebrities including Jennifer Lopez, Adam Driver, Serena Williams, and John Travolta.

National ad spend is also predicted to drop 5% compared to 2022 (fig 3). The largest drops from Q4 2022 to Q1 2023 are retail (-51%) and apparel and accessories (-40%). However, both categories were simply returning to more typical spend levels after peaking during the holiday season. For context, retail increased ad spend from Q3 to Q4 by 114%.

Spending from businesses in the travel and wellness industries actually increased in Q1. This is likely in response to consumer trends reports indicating Americans' increasing desire to pursue both travel and self-improvement. The companies taking advantage of the shift include nutrition brands, mental health apps, and airlines (fig. 4).

Linear TV's rate of decline is far slower than many predicted. Today, the channel still holds access to the largest audiences on TV. And it accounts for more than half of total time spent watching TV. Expect linear to remain relevant through the next several years, even as streaming continues to catch up.

Streaming TV’s Status Update

Which 2023 streaming show has you the most excited? The Mandalorian? Succession? What about Ted Lasso?

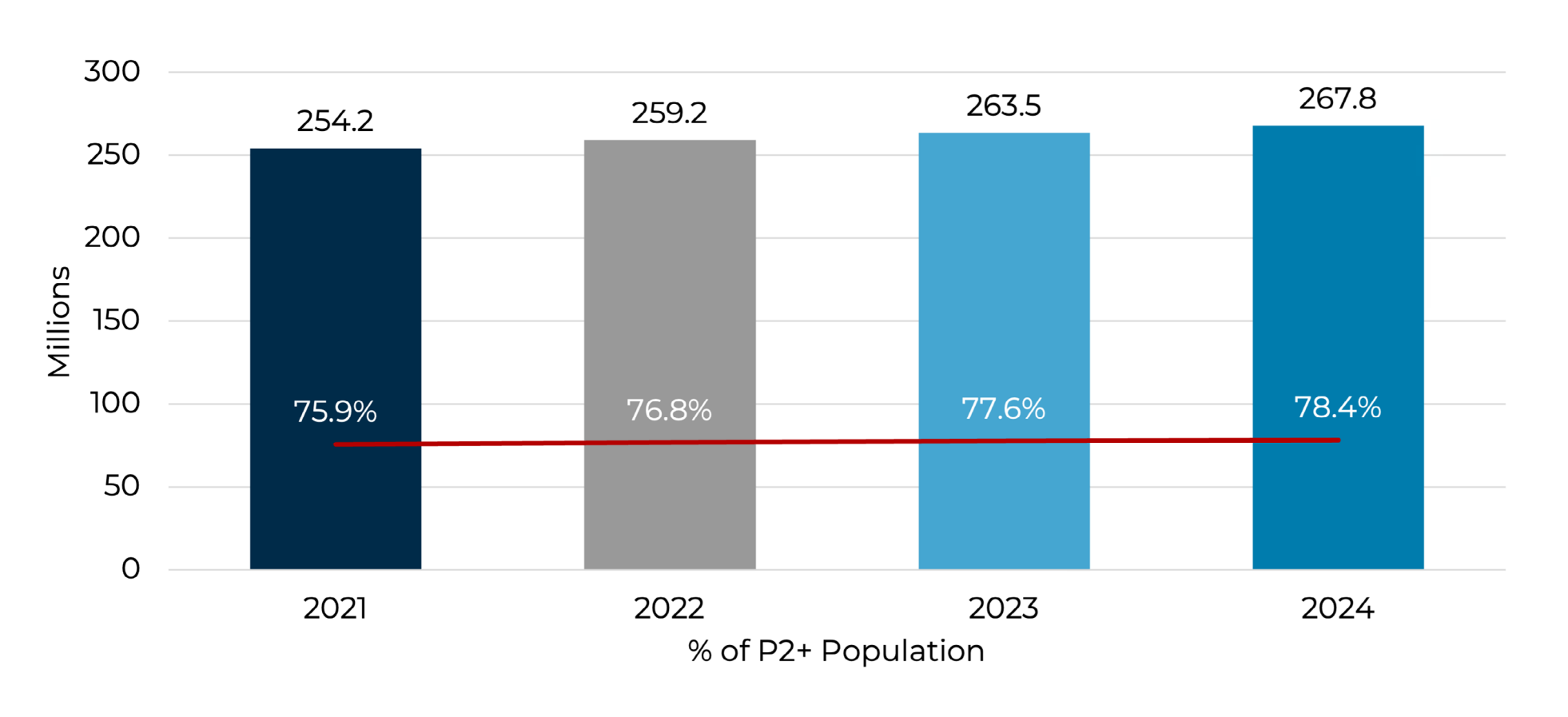
If you’re watching any of these, you’re participating in a larger trend – that of increasing streaming viewership. On a year-over-year basis, streaming usage was up 46% in December of 2022.

YouTube (including YouTube TV) led the way for most time spent watching streaming content on their platform, with 8.7% of total TV viewership time. Netflix followed closely behind, with 7.5% of time spent. Hulu ranks third with 3.4%.

Still, the entire streaming category expects continued growth in 2023. Platforms are looking for more ways to monetize their expanding audiences, as evidenced by Netflix and Disney+ both launching ad-supported subscription tiers at the end of last year. And advertisers are nearly as eager as the streaming platforms. CTV ad spend will pass \$25 billion this year (fig. 5).

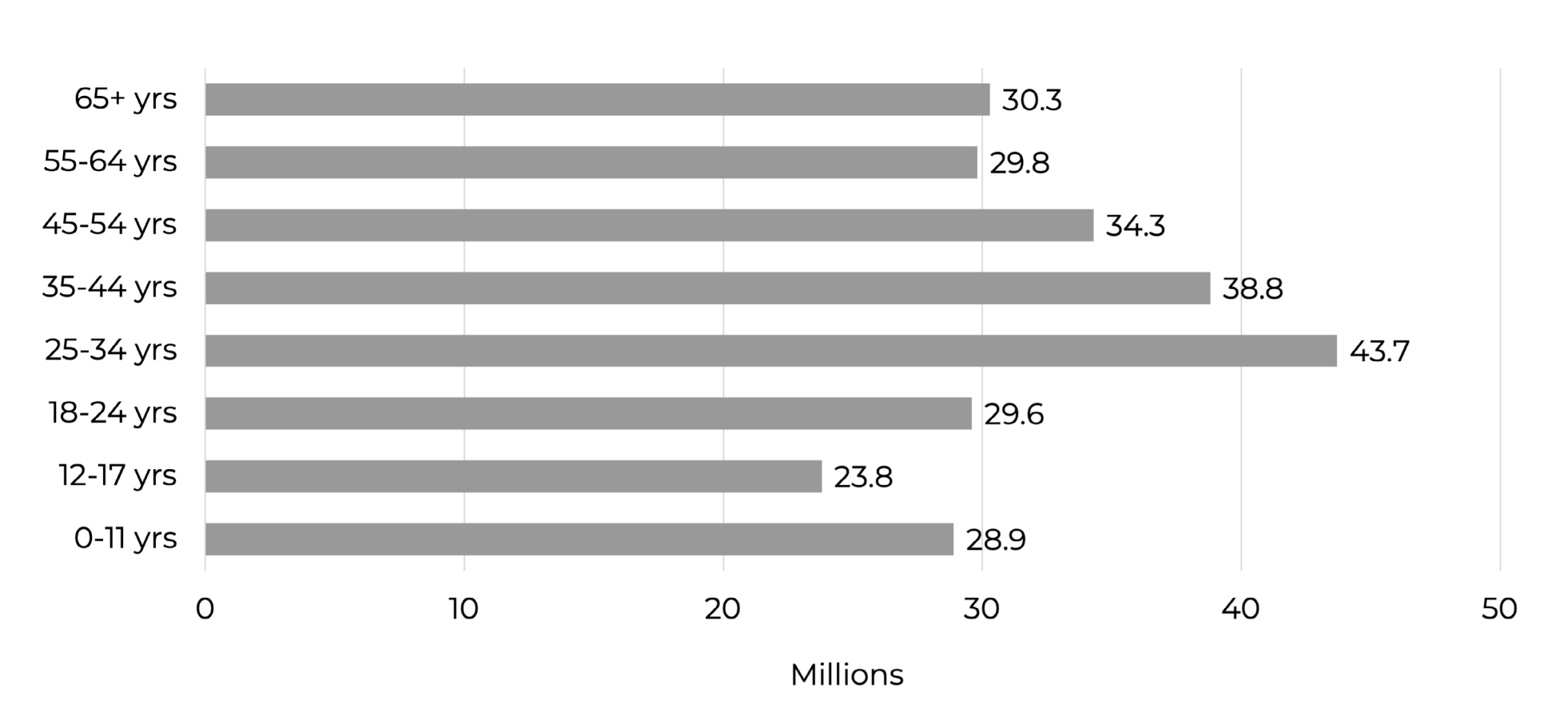
However, while streaming is gaining ground among older audiences, it remains most popular among those under 45, making the channel best suited to advertisers targeting Millennials and less of a fit for those attempting to connect with Baby Boomers (fig. 6).

Video Streaming Viewers (fig. 5)



Source: eMarketer, October 2022

Video Streaming Viewers by Age (fig. 6)



Source: eMarketer, October 2022

THE CREATIVE COURTROOM

Here, we judge commercials from the biggest TV advertisers today. And what they should've known before launching their campaigns.

Rethinking Creative Testing

Before we jump into judging others' commercials, let's cover a little background on how it all works.

TV advertisers are demanding more from their campaigns. They of course hope to drive the upper funnel results, like brand awareness, for which TV is known. But they also expect tangible revenue growth through increased orders, repeat purchases and higher customer lifetime values.

Performance advertisers especially are likely to test their TV creative before taking the leap into in-market testing. After all, testing multiple TV commercials in-market is time-consuming and wastes media dollars on potentially less effective creative. Plus, the consequences of getting an ad wrong are especially severe when that ad may be seen by millions.

The long-standing solution has been copytesting. This usually means evaluating effectiveness of various creative executions during the pre-

production stage. But TV copytesting has typically focused on predicting long-term results alone. Not ideal for performance advertisers who care deeply about immediate sales results.

Working with a reputable research partner, we developed a new system to meet performance brands' needs for TV copytesting. Using our own store of performance marketing data, we validated short-term performance alongside traditional brand metrics like awareness and brand perception.

Perfecting the system required shifting away from the usual methods, starting with refining who was interviewed. Test audiences should focus on individuals for whom the subject matter is relevant while also considering TV's role as a top-of-funnel channel. And instead of relying solely on traditional metrics like purchase intent, advertisers are provided a bank of custom diagnostics tailored to reflect three core elements: memorability, emotional relevance, and brand/product sentiments.

The resulting copytesting system has proven 90% predictive of short-term in-market performance while still building strong brand foundations. It's called ESPnow.



ESPnow In Action

With a tool like ESPnow, what could be more exciting than putting the biggest commercials of the year to the test? This winter, we tested two ads that aired during February's Big Game alongside a competitor's top commercial. The results were revealing—uncovering differences in how people perceived the three spots, their corresponding brands, and how well each commercial motivated people to act.

The Commercials



Amazon's "Saving Sawyer"

"Saving Sawyer" follows a lonely dog who causes chaos for his owners when they spend more time away from the house after pandemic lockdowns end. The solution? Order a kennel from Amazon to transport a new friend to keep their pet company. Critics rated this commercial as one of the best of the Big Game.



The Farmer's Dog's "Forever"

"Forever" tells the story of a girl and her dog, Bear, as they both grow older. All the while, Bear eats food from The Farmer's Dog, suggesting its role in making sure he's around for all of life's big moments. Critics also rated "Forever" among the best commercials of the Big Game.



Chewy's "Chatty Pets: Lenny and Leroy"

Chewy's "Chatty Pets" is a series of commercials showing pets excited about receiving a package from Chewy. "Lenny and Leroy" features two rabbits who highlight Chewy's fast, free shipping. While this ad didn't run during the Big Game, it has been a top commercial for Chewy through the start of 2023.



The Test

All three commercials target pet owners with a message about how their offering can improve pets' lives. However, because many people have a soft spot for animals, these ads also claim a broad appeal, making them engaging and watchable even for non-pet owners.

Even so, because people with pets are most likely to respond to these ads, our testing sample was comprised of pet owners. Participants were asked to evaluate the three commercials based on characteristics from our proprietary bank of diagnostics to evaluate memorability, emotional relevance, and brand/product sentiments. These ranged from clarity to relatability to how likely they were to recommend the brand to others. Results indicated how the creative impacted immediate sales, brand awareness, and the types of pet owners most likely to resonate with each creative approach.

The Results

All three commercials feature irresistible pets, are beautifully produced, and were generally well-liked by audiences. Still, results showed clear winners in various categories.

Information Diagnostics:

Both “Chatty Pets” and “Forever” saw favorable results for the clarity of their storylines. “Chatty Pets” performed well above the others for its informative nature, while respondents found “Forever” most convincing. Amazon’s “Saving Sawyer” lagged behind the other two spots in almost all these areas.

Emotional Diagnostics:

“Forever” stood out for its likeability and entertainment factor. Thanks to the humorous way Leroy and Lenny the rabbits are featured, “Chatty Pets” wins for its ability to make respondents laugh. Both spots again beat out “Saving Sawyer” in most categories.

Relevancy Diagnostics:

Here “Forever” dominated the other two spots, showing up as more relatable, relevant and interesting than “Chatty Pets” or “Saving Sawyer.” High relevancy results typically indicate an engaged audience that feels connected to the story being presented, meaning “Forever” felt the most relatable for our test audience.

Favorability:

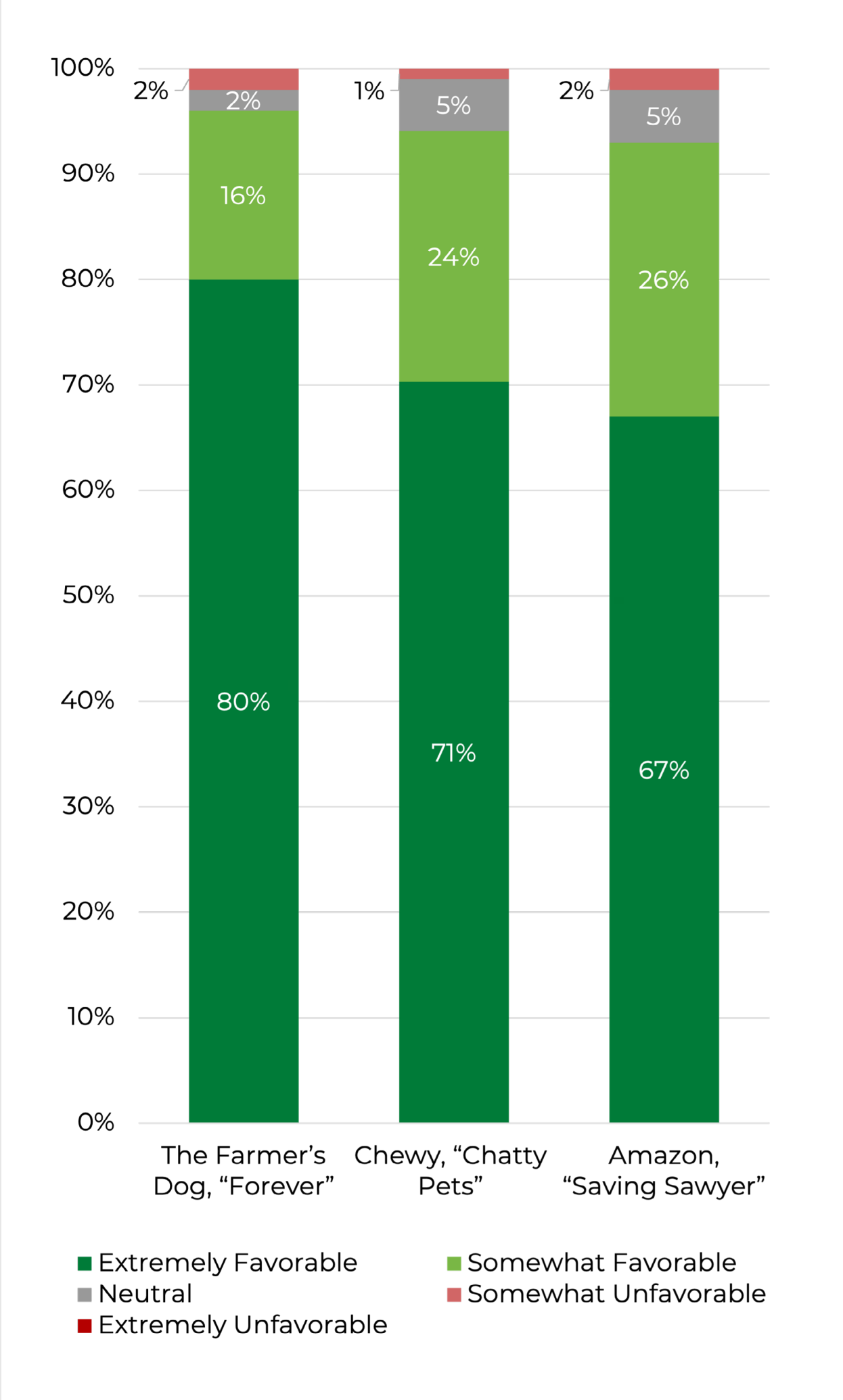
Although all three spots were well-liked, “Forever” saw the strongest favorability, with scores around 10% higher than “Chatty Pets” and “Saving Sawyer.”

“Forever” does fall behind both “Chatty Pets” and “Saving Sawyer” in aided brand recall. “Chatty Pets” performs best (86%) due to Chewy’s awareness among pet owners and the presence of major brand elements throughout the ad. Even “Saving Sawyer” performs well (73% aided recall) despite minimal Amazon branding. With limited brand awareness compared to its competitors, The Farmer’s Dog’s “Forever” achieves only 69% aided recall.

A similar trend shows up in how participants ranked rational brand attributes for the commercials. Although “Forever” ranked best for emotional factors, it falls behind the others for rational attributes. “Chatty Pets” performs best in categories like “Competitively priced” and “Innovative products.” “Saving Sawyer” sees a boost for attributes like “Convenient” and “Wide selection.” Also notably, all commercials scored at parity for their impact on purchase intent.

Finally, subsets of the test audience perceived the commercials differently. Men were more likely to rank “Chatty Pets” favorably, drawn to its humorous approach. Women gravitated to the heartfelt tale “Forever” presented.

Overall Opinion (fig. 7)



Source: ESPnow

Takeaways

These results are exactly why pretesting is so important. All three of the ads tested were excellent commercials, but none dramatically outperformed the others. And all have room to improve.

Amazon's "Saving Sawyer"



What we love:

Amazon offers much more than pet supplies. By targeting pet owners with "Saving Sawyer," they create use cases and build likeability. Plus, their reputation for fast shipping establishes qualities like "Convenient" without the commercial directly supporting this message.



Where pretesting could help:

"Saving Sawyer" fails to capture the same emotion of the other ads. Pretesting could have indicated the need for additional clarity and relevance.



The Farmer's Dog's "Forever"



What we love:

A younger company, The Farmer's Dog still needs to drive awareness among its target audience. And with a placement during the Big Game, they prioritized capturing attention. They absolutely achieved this with "Forever," telling a story that's both relatable and tugs on viewers' heartstrings.





Where pretesting could help:

"Forever" experienced the lowest brand recall and scored below the others for rational brand attributes. Adding the logo in the corner of the ad or a voiceover saying the brand's tagline could have helped viewers remember the brand later.



Chewy’s “Chatty Pets”

-  **What we love:**
Chewy’s “Chatty Pets” focuses on providing information. Their highly branded spot was entertaining while communicating the value of their offering, causing them to rank best for rational brand attributes and match “Forever” for emotional brand attributes.
-  **Where pretesting could help:**
We see an opportunity to improve the commercial’s impact on purchase intent since it ranked only at parity with competitors.



The Verdict

We're officially crowning Chewy's "Chatty Pets" the winner. "Chatty Pets" was the only commercial tested that included a voice-over, and it claimed the strongest brand recall. We also expect this commercial saw the strongest short-term performance, especially among male audiences that appreciated the ad's humor.

The lesson for marketers? Even the best ads can be improved. And a critic's opinion on a commercial is just that... one opinion. The opinions that matter for TV advertisers are those of your target audience. Spending time upfront to learn how your audience feels about your ad can be essential in making a good ad a great performer.



WINNER: CHEWY'S "CHATTY PETS"



PERFORMANCE TV ESSENTIALS

This section highlights innovative ways performance advertisers are achieving exemplary results on TV.

QR Codes for Performance TV

Rewind in time a bit. Remember Coinbase's commercial during 2022's Big Game?

It was nothing more than a QR code bouncing around an otherwise empty screen. For 60 seconds, TV viewers (and the whole internet) went wild. The era of the QR code had arrived.

QR codes were spurred into the mainstream in 2020, when QR code scans nearly doubled year-over-year due to the convenience and safety the technology provided during the height of the COVID pandemic. But that was just the beginning.

Today, almost 90% of people watch TV with a second device in-hand. And now that consumers are increasingly comfortable scanning the codes, more advertisers are testing commercials with a call-to-action featuring a QR code. For many, this has already proven successful and improved conversion rates.

But there's also still a lot to learn. Here are four methods we've discovered to get the most from adding a QR code to your TV commercial.

1 Incorporate the code into the commercial's storyline. Many advertisers simply add the QR code into the corner of an otherwise standard commercial. That alone has been shown to improve conversion rates around 5%. But when the code is fully integrated into the commercial's storyline, conversion can jump 15%.

2 Make your call-to-action clear. Leave enough time on the screen for people to both decide to scan the code and to actually do it. Even though people are increasingly comfortable with QR codes, this still requires more than a few seconds at the end of your commercial. For extra clarity, use your voiceover to narrate what you'd like viewers to do.

3 Create a simple and consistent user experience. Never send a commercial's QR code scans to your website's home page. Instead, develop a dedicated landing page with messaging and an offer connected to what the consumer was shown in the commercial. This creates a consistent user experience and improves the likelihood of converting a new customer.

4 Use QR codes for TV attribution. QR codes provide an underutilized opportunity to track and improve a TV campaign's performance, especially for advertisers with a lower volume of web visitors. As TV becomes an increasingly performance-driven channel, QR codes provide a new way to measure TV's ROI.





YOUR TV NEWS ROUNDUP

A compilation of some of the best and latest news about TV advertising.



6 Trends in TV Advertising Marketers Must Consider in 2023

In 2023, marketers will be looking to maximize TV's reach, but will need help to do so when fighting against increased viewing fragmentation. This becomes an even greater challenge when considering that driving performance results is now a requirement for most TV advertisers. [Read full article.](#)



TV Ads Draw More Attention Than Any Other Format

25% of US adults say they pay the most attention to TV commercials. That's more than any other channel, although online ads do follow closely behind with 24%. Newspaper (5%) and magazines (4%) rank last. [Read full article.](#)



The Pitfalls of IP-Based Targeting in Streaming Campaigns... And How To Minimize Them

Streaming advertisers have leaned heavily into targeting audiences based on IP addresses. But challenges include bad third-party data and account sharing, causing some advertisers to look for alternatives. [Read full article.](#)



Brand-Building Ads Boost Short-Term Sales, and Now You Can Prove It

The core principles of Les Binet and Peter Field's The Long and the Short of It remain true—and proven once again. Short-term campaigns are terrible at building brand, but long-term campaigns both build brand and drive sales activation. [Read full article.](#)



What's The Optimal Balance of TV and Streaming Advertising?

For the highest reach, advertisers are recommended to dedicate 20-30% of their video budgets to streaming. The other 70-80% should be focused on linear TV. [Read full article.](#)

ABOUT MARKETING ARCHITECTS

TV advertising is a powerful channel. Done right, it can become an essential growth driver for your business. At Marketing Architects, we use an approach called All-Inclusive TV to help advertisers make the most of their TV investment. Connect with us at [**marketingarchitects.com**](https://marketingarchitects.com) to learn more.

