

Current State: Q4 2022

2022 has been another whirlwind of a year - and for the digital landscape too. As we close out the year and turn the page into 2023, we wanted to outline the big trends we've seen over the last year and what to look out and prepare for as we head into the new year. Advertising trends aside, we are heading into a year of anticipated economic downturn and a growing polarized political climate.

With this in mind, the questions we will work to answer for our clients at Scale will be:

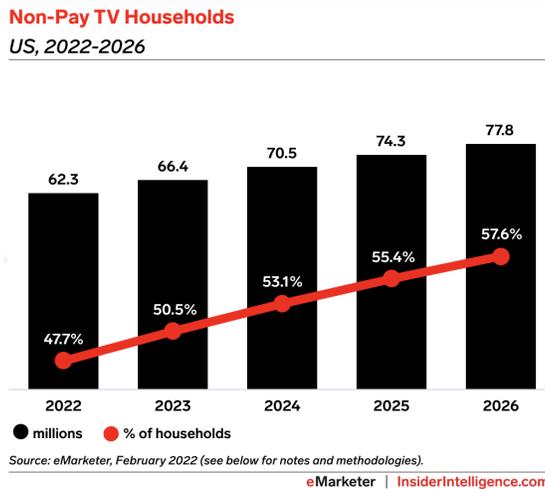
- How do we accelerate growth with rising costs and CPMs?
- How do we measure success with a more fragmented and privacy-focused landscape?
- And where should we be focusing our efforts and resources in 2023 and onward?

What were the big takeaways from 2022?

Streaming eclipsed linear for the first time ever.

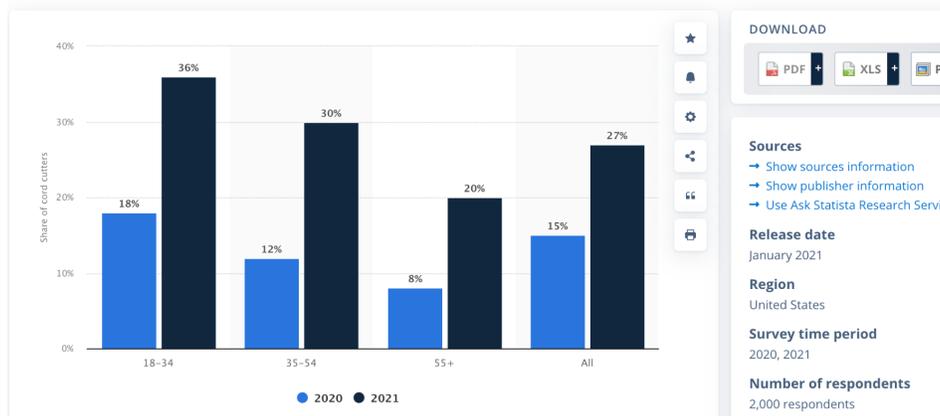
In July, Nielsen announced that for the first time ever, streaming services surpassed both broadcast and cable.

- Streaming made up **34.8%** of all viewing time, just slightly higher than cable, but well above broadcast at 21.6%
- The percentage of Non-Pay TV households will continue to see a steady increase YoY projected into 2026:



From 2020 to 2021, **A35-54 Cord cutters increased 150%** along with A55+ increasing at the same rate. These numbers have only increased in 2022 as stated above streaming has surpassed both broadcast and cable.

Distribution of cord cutters in the United States in 2020 and 2021, by age group



What does this mean for Scale's clients and our client's clients? It means this shift to streaming is being seen and felt by all demographics, not just millennials, and our media mix will have to continue to diversify to speak to current customers, and accelerate continuous growth. CTV and streaming are no longer channels that can be ignored and **will be crucial to reaching new customers** in the years to come.

But aren't CPMs on CTV high? Yes, but we view this as an opportunity to take advantage of highly targeted media. We can speak to potential customers in your most profitable zips, all while excluding existing customers to make the CPM more than worthwhile. There are other ways to offset the cost of CPMs, such as leveraging online video as a supplement or tapping into video placements on social for mass reach at a much more efficient CPM.

Speaking of social...

TikTok continues to be a threat in the social, video and search landscape. The impact is not just to the platforms themselves but to how marketers approach capturing users' attention.

Platform Impact:

This new social platform is redefining the larger media landscape - to the extent that other platforms are rolling out new offerings to fit the mold of TikTok's short-form video and immensely engaging feed. YouTube introduced "shorts" quickly after Instagram rolled out "Reels," which mimics the look and feel of TikTok videos and, in most instances, are shared there after previously being posted on TikTok.

Video Impact:

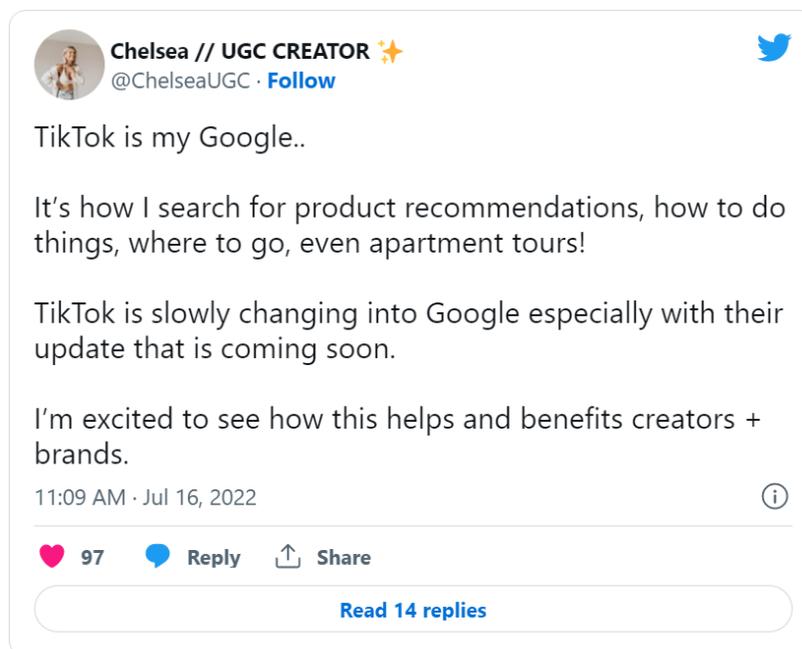
The increasing difficulty of capturing a user's attention is not a new challenge. Marketing research firm Yankelovich suggests Americans were exposed to about 500 ads per day in the 1970's. Most recently, this number has grown to between 4,000 and 10,000 impressions per day. And depending on your geographic location and consumption of media, those numbers

could go as high as 50K impressions per day! As consumers, we have learned to become numb to ads, and a lot of the time, tend to overlook or tune out during commercials or ad breaks.

Enter the 8 second mindset. This is the notion that you only have 8 seconds to capture someone's attention and make them stop down to listen, obtain ad recall or take a desired action. This is amplified and influenced by the type of media consumers are viewing most. In the present, streaming (which is made up of mainly 15s and 30s) and social consumption (made up of 15s or less) is a lot different from when traditional television was the bulk of consumption and 30 second ads were the name of the game

Search Impact:

According to a report by MoffettNathanson, TikTok's ad revenue is reported to possibly overtake YouTube by 2024. Gen Z and younger Millennials are turning to TikTok over Google as their preferred search engine more and more, feeling that it's easier to find out necessary information in a short video clip vs. reading through multiple reviews and blog posts to find the answer. According to eMarketer, almost 40% of 18- to 24-year-olds in the US go to TikTok and Instagram over Google for their search needs.



The authenticity of the content and visual aid when searching for best products or how-to videos has a much larger appeal in TikTok's video format than standard searches and web browsing. What does this mean for Scale's clients? There is not a one-size fits all approach to TikTok, but client's who are looking to build up their brand (and in some cases drive actions) need to include TikTok in their 2023 strategy. However, the content strategy must be **truly unique to TikTok**, ensuring that creative messaging and strategy is different from other platforms. 2 out of 3 users say TikTok-specific content builds more trust, awareness and connectivity with brands. So, native content is king on TikTok, and videos should be more organic and natural in feel.

To learn more about Scale's approach to TikTok and how to best leverage the platform, please reference our State of TikTok Deck [HERE](#).

As previously mentioned, the digital landscape is always evolving, so our marketing needs to keep up with the shifts in consumer behavior and demand. **Heading into 2023 and beyond, here are the top trends to not only be aware of but also take advantage of in the coming months.**

Consumer-first approach will be key.

Consumers are more educated than they have ever been. With the span of the internet at our fingertips, consumers are digging beyond past reviews to look inside brands' ethos. Consumers want to know what companies are doing for their community and the causes they support. While smaller in size (with less scrutiny over their establishment), this holds especially true for localized clients that cater to 1-to-a few communities/markets.

Consumer privacy is at the forefront of the evolving media landscape, from the beginning (targeting executions), to consumers taking action (why should they continue handing over their personal information), to the end measurement (understanding which media drove the best outcomes with limited tracking).

With the cookieless future around the corner (read Scale's updated POV [HERE](#)), brands will need to not only position themselves as protectors of consumers' rights but also set themselves up with the right tools to succeed and measure success.

Scale continues to evaluate tech partners on behalf of our clients on an ongoing basis to determine what those "right tools" are. It was this type of evaluation that led to our 2022 partnership with Viant, a DSP and reporting engine built for the cookieless future. This is the type of evaluation we continue to hold as we navigate incrementality and measurement of CTV and digital as a whole.

What can brand's be doing on their end today? Making sure there is an incentivized reason for consumers to fill out their personal information. This will look different for each client/industry, but for brands with "offer" messaging, it's crucial to consider what makes this Promo better than others. Consumers are smart and are going to wait for the best deal, so why should they fill out a form now? Some brands "game-ify" their offer (i.e. spin the wheel for up to xx% off) while others offer an additional xx% off to the current offer.

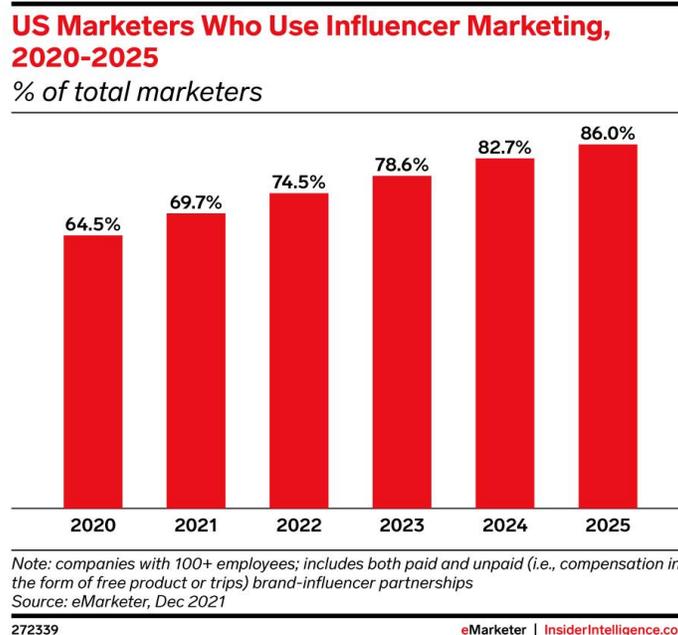
If your brand does not leverage promotional offers, there are other ways to add value to giving away personal consumer information and showing appreciation for their business in times of economic uncertainty. A few examples below:

- Enter your email to win a \$100 gift card when booking an appointment with us today
- Enter your information below to be entered into our holiday sweepstakes

If offers and promotions do not fit your business model, another way to build brand credibility and influence consumers into becoming loyal customers is tapping into influencer marketing.

Influencer Marketing (large and small) is here to stay.

The acceleration of how-to and review videos, largely led by Tiktok and its massive influence, has shed light that influencer marketing is and should be part of brands' marketing strategies. Nearly 75% of US marketers will tap into influencer marketing in 2022, with that share expected to increase YoY into 2025:



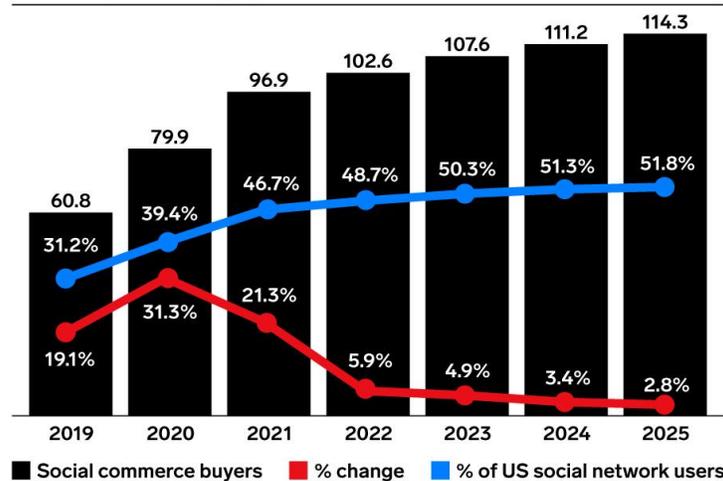
There is a preconceived notion that influencer marketing can be expensive and should be reserved for large national brands. However, there is value in “local” or small influencers’ impact as well. When thinking about some of Scale’s more localized clients, a person who specializes in a particular industry (Home Renovation) or has a strong local following can have a far larger impact - for a smaller price tag - than a recognized celebrity on everyday consumers’ decision making. TikTok and other social platforms have made it possible to find influencers both large and small across all industries and niches through their creator and commerce programs. Especially on TikTok, creators can drive true impact and real results for brands as ad content created for TikTok in partnership with creators can drive 93% higher Engagement Rates.

Social commerce is larger than ever.

The social commerce stats keep growing and have surpassed 100 million buyers as of 2022.

US Social Commerce Buyers, 2019-2025

millions, % change, and % of US social network users



Note: ages 14+; social network users who have made at least one purchase via any social channel, such as Facebook, Instagram, Pinterest, Line, WeChat, VK, and others, including links and transactions on the platform itself, during the calendar year; including online, mobile, and tablet purchases
Source: eMarketer, July 2022

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eMarketer | InsiderIntelligence.com

Where are consumers buying via social?

Facebook still makes up the largest share of social commerce at 61.9%, followed by Instagram at 40%. By no surprise, TikTok is climbing its way to the top - making up 23.1% of the share.

What does this mean for Scale Clients?

Moving forward (in 2023 and beyond), brands looking to generate more retail sales need to tap into these rapidly growing social commerce integrations to reach a highly engaged audience with tactics that are driving increasingly more revenue. eMarketer projects that social commerce will generate \$80 billion in sales through 2025, meaning there's potential revenue being left on the table without leveraging eCommerce tactics on social.

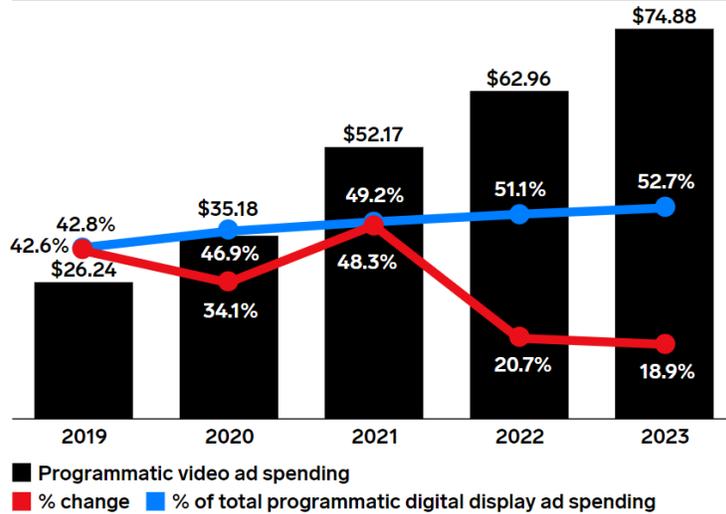
To learn more about social commerce offerings by platform, please read our [Ecomm offerings POV](#)

Digital Video keeps on growing.

As we've alluded to throughout this article, video ads **in all formats** (TV, CTV, OLV, Native & Social) have a massive impact on consumer behavior, brand credibility and business results. Video ads outclass static display ads in storytelling ability. They engage audiences more effectively, which is why marketers are investing hefty amounts in online video budgets.

US Programmatic Video Ad Spending, 2019-2023

billions, % change, and % of total programmatic digital display ad spending



Video ads can be expensive to produce, but there are ways to repurpose and reformat video ads to leverage them across multi-channel campaigns. A 30s TV spot can be trimmed down to a 15s CTV and OLV asset, which can be trimmed down to a 6-10s Facebook ad (*with the right messaging as the focal point*). TikTok ads can be produced on a small budget or no budget at all given the native format of content and the urgency to keep up with trends before they're irrelevant. While production can be costly, we at Scale are determined to make the investment in video worth it - and, we can prove it.

The beauty of digital video (and all digital media) is that it is highly measurable. We have the ability to track **online and offline** conversions (leads, transactions, phone calls, etc.) with pixel-based technology, including incrementality to prove out the ROI on production and media costs associated with different channels, platforms and even creatives.

To sum it up...

2023 holds a lot of exciting opportunities amid the uncertainty, and as the digital landscape evolves, we know our client's marketing needs do too. If you take anything away from this, it should be these:

- Streaming eclipsed linear for the first time ever and can't be ignored any longer
- TikTok continues to be a threat across the digital ecosystem but opens up tremendous opportunities for brands from video creation to building up consumer sentiment
- Consumer privacy is critical from beginning to end across the entire digital process (targeting, data collection, measurement)

- Influencer marketing can make a large impact without breaking the bank
- Social commerce cannot be ignored for retail clients to continue relevancy into the future
- Digital video is here to stay and is more affordable than you think

For any questions, please reach out to the Scale Digital team to learn more.