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WARC AI image

The **Future of Media** 2024

Evolution of Marketing

In this **report**

Part of WARC's Evolution of Marketing programme, The Future of Media highlights trends in media planning, advertising investments and the media ecosystem.

The insights are based on exclusive data from WARC Media and findings from various research studies, including the Marketer's Toolkit global survey of 1400+ marketing executives, plus expert analysis from WARC contributors.

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Planning for quality in the era of AI

As marketing budgets rebound in 2024, uncertainty swirls around where best to direct investments in media, the role of AI in planning, and how to assess media quality.

Paul Stringer, Managing Editor
Research & Insights, WARC

It was this time last year that we noted the first ever recorded decline in Meta's quarterly earnings. Big tech appeared unusually imperiled. And, owing to a mix of spiralling inflation, supply chain disruption and structural technology shifts, pessimism was on the rise among marketers too.

What a difference a year makes. After a challenging 2023, WARC Media predicts global advertising spend will double its growth in 2024, with spend expected to top $1 trillion for the first time.

The big winners from this are the major tech companies, five of which now account for more than half of the total money spent on advertising. Despite challenging economic and regulatory headwinds, these companies have managed to reduce headcounts while posting enormous profits. And they're expected to consolidate their position further next year, as they see ad revenues rise by 10.7%.

Key to this growth has been the adoption of AI, which made an enormous leap forward in 2023 with the growth and diffusion of generative AI applications.

From Amazon's 'Q', to Google's 'Performance Max', it would appear that many of the major players have pegged future ad revenue growth to their AI-based advertising solutions.

While this approach is currently paying dividends, the growth of AI raises difficult questions about the ideal relationship between humans and machines; the power of platforms; and the future of news, information and entertainment on the open internet.

With elections looming in several major economies, concerns around news and informational quality are particularly acute. WARC Media analysis of category ad spend growth reveals that political ad spending is expected to grow by 504% this year. Indeed, it's partly because of this uptick that linear TV is expected to see such a strong – albeit temporary – rebound in 2024.

As politics temporarily engulfs culture, and the threat of low-quality AI-generated content looms large, media environments that can offer suitable guarantees around brand safety will take on extra value. Already this year, we have seen a huge number of advertisers pull investment from X (formerly Twitter) because of brand safety concerns.

Concerns around media quality will continue spreading to other areas of media planning and buying, too. Once considered the preeminent 'quality' media channel, linear TV appears to be dropping off marketers' lists of preferred marketing channels, with attention shifting to newer channels, including online video, retail media, podcasts, social media, and gaming.

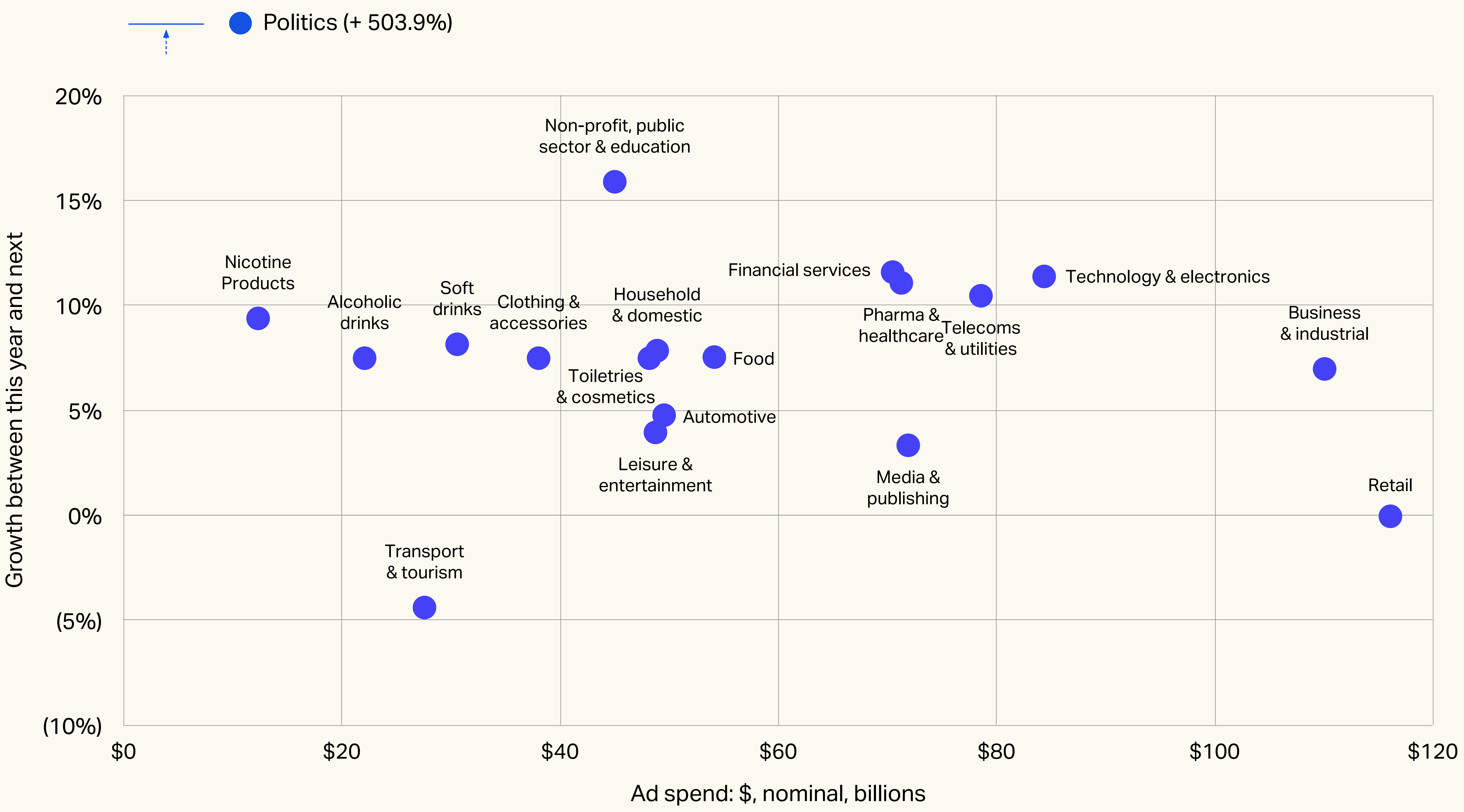
On the subject of attention, advertisers continue to experiment with new and emerging techniques for determining media quality. Among the most prominent and notable of these is attention measurement, which has been embraced by a large part of the marketing industry but remains somewhat fragmented and inconsistent in the way it is currently applied.

Still, this has not prevented new research coming to the fore, demonstrating the link between attention and direct mail; attention and television; attention and podcasts; and attention and gaming.

To help WARC subscribers to understand these trends and more, this report is divided into four chapters looking at: platform power in the era of AI; linear TV under the microscope; the state of attention measurement; and the growth of in-game advertising.

Global, Category growth and investment

2024 forecasts



Note: Ad spend and growth are WARC Media forecasts
Source: WARC Media 2024

Content

1 Platform power in the era of AI

The growth of walled garden platforms – fuelled by AI – raises difficult ethical questions while inviting speculation about the future of advertising on the open web.

2 Linear TV under the microscope

With Linear TV reaching fewer people and getting more expensive, an increasing number of marketers seem to be questioning its relevance as a marketing channel.

3 Attention measurement at a crossroads

A lack of common standards and substantial evidence are two potential barriers to attention measurement achieving widespread adoption and legitimacy.

4 The growth of in-game advertising

In-game advertising represents a fertile area for brands to target and engage hard- to-reach audiences.

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Chapter 1

Platform power in the era of AI

Walled garden platforms are expanding their reach and influence in advertising, thanks in part to the adoption of new AI-based capabilities. While this has generated a fair deal of excitement among advertisers, these trends have also prompted fresh concerns about advertising transparency and increased speculation about the future of advertising on the open web.

Since the transition from web 1.0 to web 2.0, which gave rise to social media, a handful of technology companies have accumulated enormous wealth and power.

This is a trend that has accelerated over the last decade. Just five companies – Alibaba, Alphabet, Amazon, ByteDance and Meta – took more than half of global advertising spend in 2023.

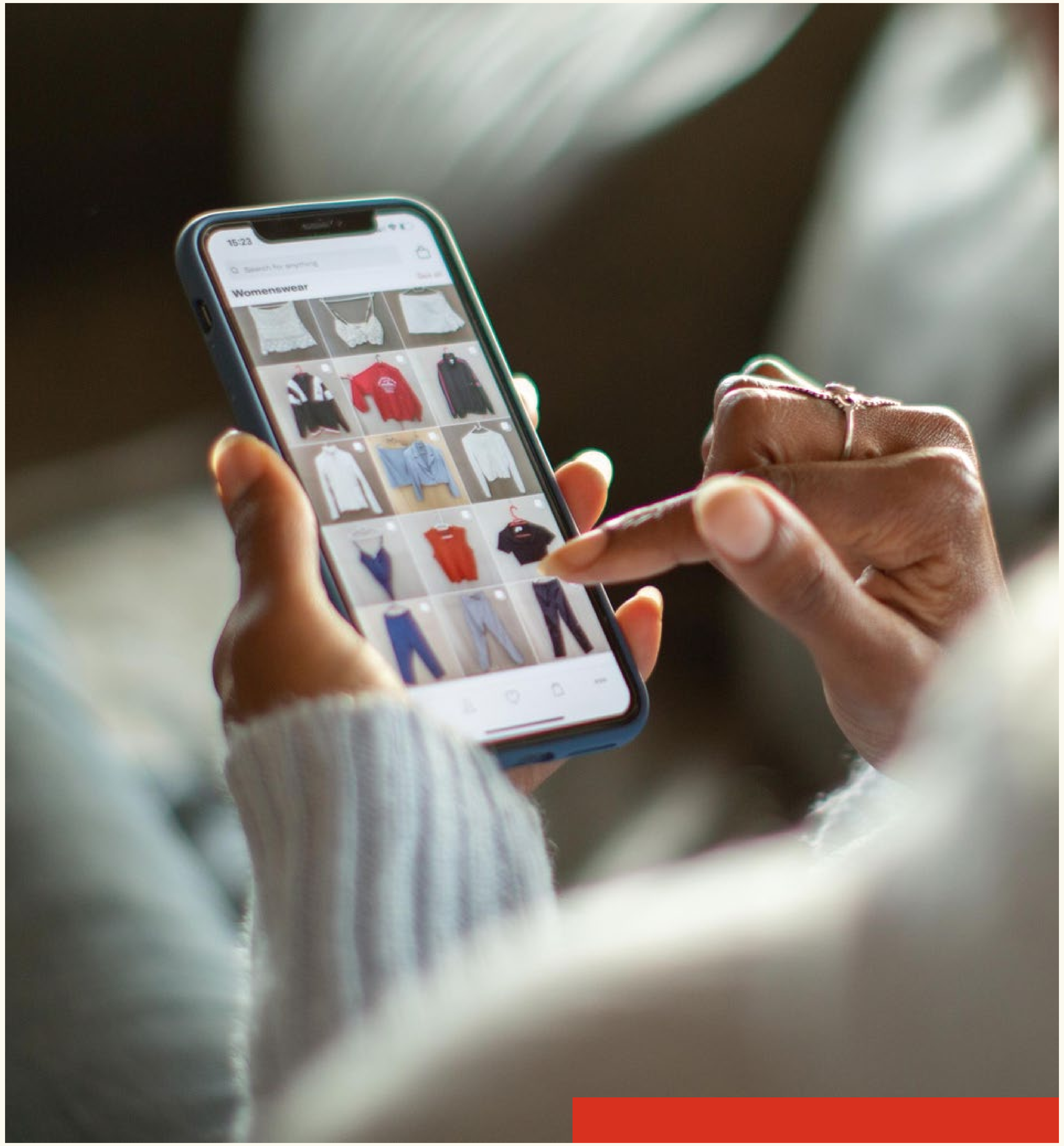
These companies will see ad revenue rise by 10.7% in 2024, increasing their total share of the ad market to 51.9%. By contrast, all other media owners combined saw flat revenues in 2023, with modest growth forecast for 2024.

An important factor in the recent success of these companies is Artificial Intelligence, which has been credited on different occasions by Alphabet, Meta and Amazon for providing a boost to their revenues.

Tools such as Meta's Advantage+ and Google's Performance Max effectively automate parts of the media planning and buying process, making it simpler for advertisers to create and manage ad campaigns across Google and Meta's ecosystems. It is claimed that these systems enable outcome-based planning: Instead of planning against an audience, the AI optimises against a specific, tangible outcome that an advertiser wants to achieve.

While these tools have generated a lot of interest among advertisers – and possibly brought more incremental spend to certain markets – they have raised concerns about trust and transparency*. These concerns extend well beyond the tools themselves to encompass bigger questions about the growing power of major tech platforms and the future of advertising on the open web.

* For example, in a report published in 2023, the analytics company, Adalytics, highlighted ad quality and media reporting issues on Google's Video Partner (GVP) network (claims that Google has strongly refuted). Users of Google's AI-based PMax product are automatically opted-in to using GVP in their campaigns.

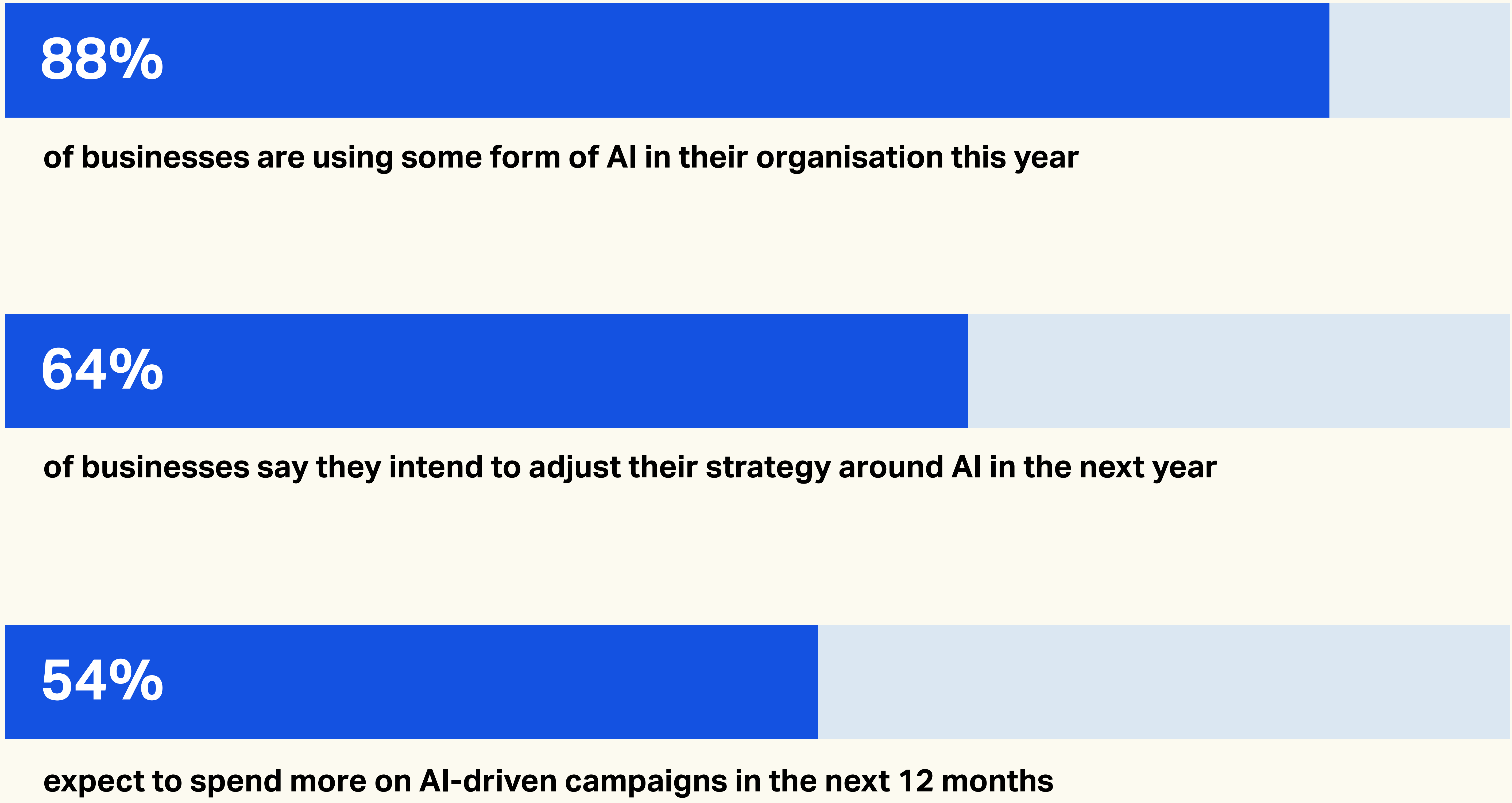


The growth of AI-based advertising solutions

Among the major tech companies, competition for AI adoption has intensified. Amazon recently launched its own suite of generative AI image tools for advertisers. As did TikTok. Meta has seen strong traction with its 'Advantage' automated ad products, while Google has claimed that more than 80% of its advertisers now use at least one AI-powered search ads product.

Anecdotal evidence suggests these products are helping advertisers save costs and achieve higher returns through automation. Google, for example, claims that its advertisers are, on average, achieving 18% more conversions at a similar cost per action. Similarly, Meta users are reported to be seeing, on average, an improvement in cost per acquisition by 17% and return on ad spend by 32%.

How businesses are using / plan to use AI over the next 12 months



Source: Twilio Segment. The Growth Report: The AI Edition. 2023.

AI-powered products force advertisers into difficult trade-offs

Working with AI-based advertising tools requires advertisers to give up a degree of transparency and control over campaign decision making. In return, they are promised greater effectiveness and efficiency.

But a trickle of independent studies and expert voices have called into question the effectiveness of AI-based campaigns, while highlighting several limitations.

With Meta's Advantage+, for example, one independent test of its audience targeting capabilities found that it generated leads more cost-effectively than using interest-based targeting methods, but that these leads were of generally lower quality, leading to an overall increase in the cost of marketing-qualified leads (MQLs).

Google's Performance Max product has been criticised for offering minimal insight into how spend is allocated across its channels (e.g. Search, YouTube, Gmail, Maps). Users get an aggregate view of performance, but no insight into how specific channels have driven performance*. This compromises the level of insight that can be gleaned from PMax campaigns.

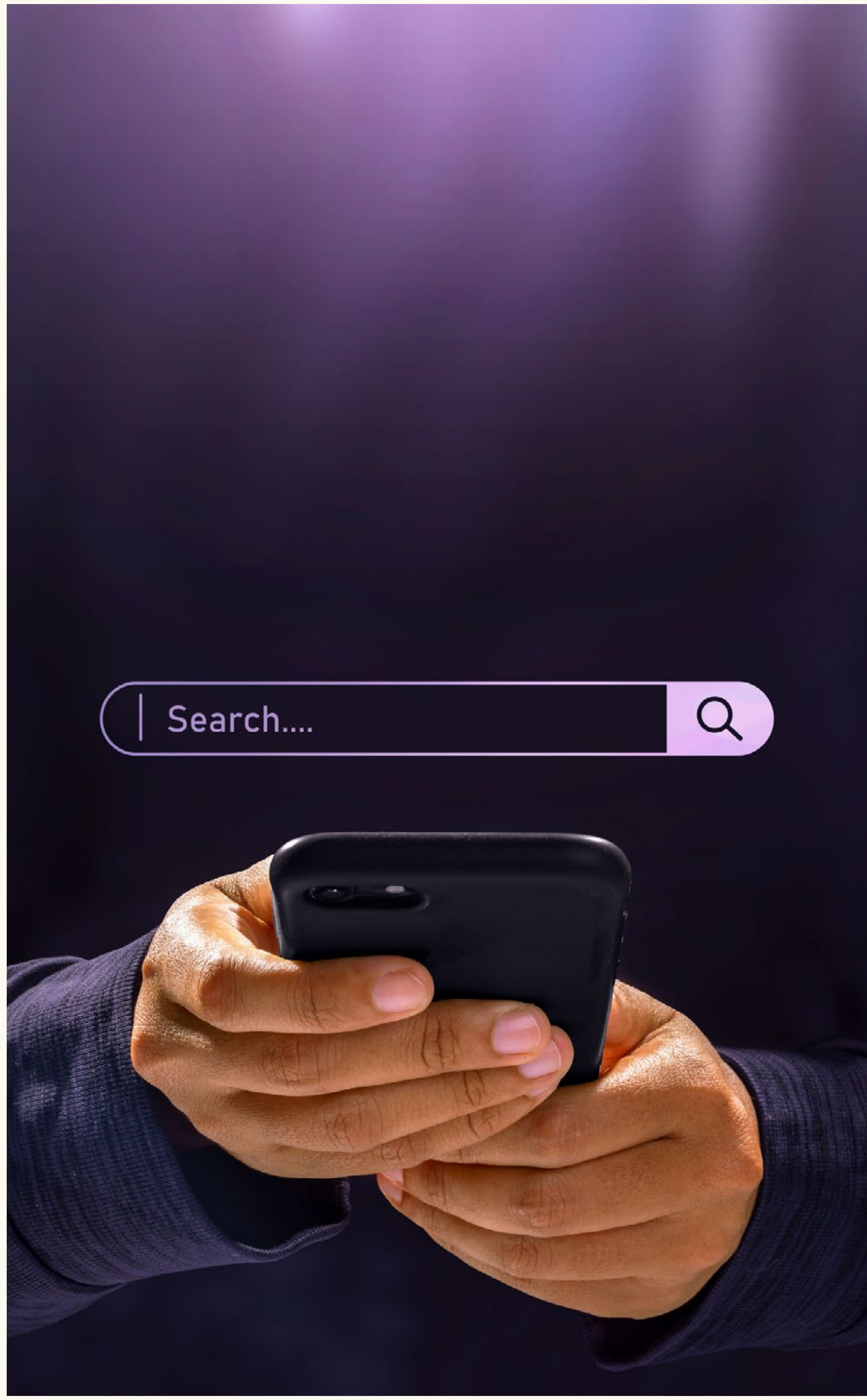
Amidst these concerns, Google is also facing more serious allegations about its Search Partners programme (GSP), a network of third-party sites that advertisers can leverage to extend the reach of their search advertising**.

Research by the analytics platform, Adalytics, has discovered evidence of search ads appearing next to unsafe and potentially harmful content, including pornography sites, US-sanctioned Iranian and Russian websites, and far-right publishers***.

* While Google PMax does not offer insight into individual channel performance as standard, companies including TrafficGuard have developed solutions that can be used in conjunction with Google PMax to mitigate against these issues.

** Google does not offer full transparency into the list of websites that are included in its Search Partners programme.

*** This follows research by Adalytics, conducted approximately six months ago, which highlighted brand safety concerns within Google Video Partners (a YouTube campaign extension product). Google has refuted these claims.



Legal actions threaten to curb platform power

While some experts continue to question the efficacy of big tech's AI-powered advertising tools, an arguably more serious threat to their power are legal challenges from governmental entities.

Alphabet, Amazon, Apple, ByteDance, Meta and Microsoft are all considered "gatekeeper" companies under the European Commission's Digital Markets Act (DMA). To comply with this regulation, Meta has launched an ad-free subscription tier in Europe, although this is now the subject of a complaint by European Consumer Organisation (BEUC), which argues Meta's new service amounts to consumers paying a fee to ensure privacy.

In the US, two major antitrust lawsuits have been filed against Amazon and Google. In Google's case, the complaint alleges that Google engaged in anti-competitive behaviours by making its search engine the default on the vast majority of device manufacturers and distributors.

The allegations against Amazon concern the way in which it monopolised online retail by prohibiting sellers from offering cheaper prices on their products elsewhere and unfairly coercing sellers to use its fulfillment services.

While these lawsuits are unlikely to reach a resolution in 2024, the activities and actions of the major tech platforms will continue to be a source of speculation and interest over the next 12 months.

The threats to open web advertising

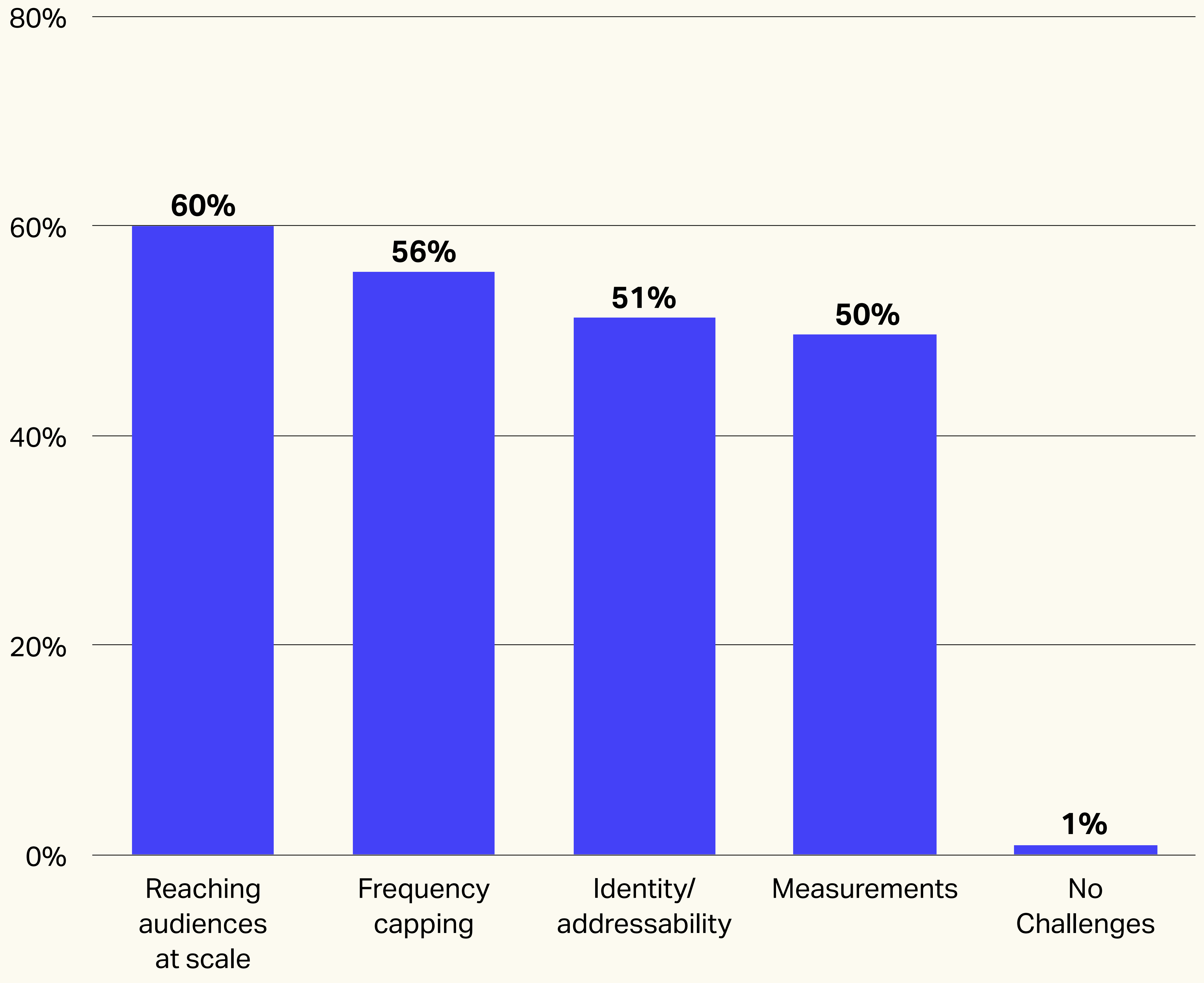
It will likely be many months, possibly years, before the Google and Amazon antitrust cases reach their conclusion. In the meantime, our forecasts predict the major tech companies will continue to experience significant growth in ad revenues.

This trend – along with dynamics observed in emerging channels like CTV and retail media – means an unprecedented volume of advertising dollars will be spent inside walled gardens rather than advertising on the open web.

Beyond these changing patterns in investment, open web advertising is contending with several other threats. Audience targeting on the open web will be dealt a blow by the phasing out of third party cookies this year. That many advertisers still seem unprepared for these changes may augur a greater shift in spend to data-rich walled gardens.

A second challenge relates to persistent concerns about brand safety and ad fraud, with the ANA's study – published in December 2023 – revealing the full scale of the problem on open web programmatic advertising. Finally, there is the much larger, existential threat of AI. Without proper guardrails in place, there are concerns that the open web will soon see a huge uptick in AI-generated misinformation and disinformation. If the quality of the open web is undermined in this way, then brands may be increasingly reluctant to advertise because of brand safety and ad fraud concerns. This is a particular worry with several major elections due to take place in 2024.

Q: What, if any, will be the main challenges currently affecting your digital advertising strategy as a result of third-party cookie deprecation?



Source: LiveRamp, Future-proofed marketing: how brands intend to reach addressable audiences beyond the walled gardens. 2023.

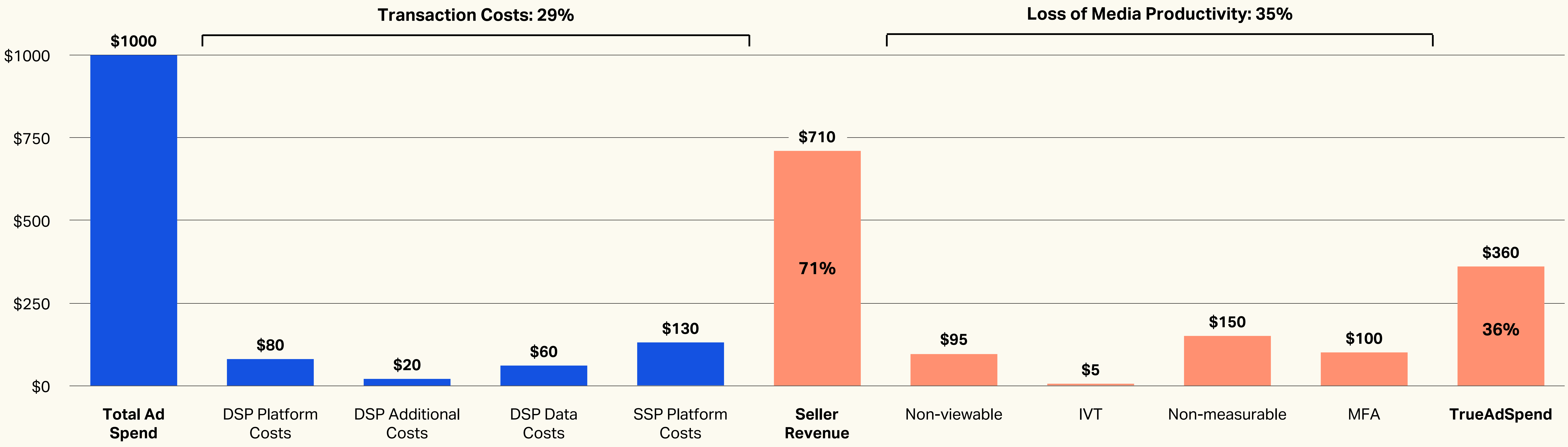
The cost inefficiencies of open web programmatic advertising

Open web programmatic advertising cost waterfall

Based on an initial ad spend of $1,000.

Transaction and productivity costs across the programmatic supply chain lead to less than 36 cents of every dollar reaching the consumer.

The ANA estimates that if investments were optimised across these various steps, there is the opportunity for $22 billion in efficiency gains, equal to a quarter of the total money spent on open web programmatic advertising ($88bn).



Source: ANA Programmatic Media Supply Chain Transparency Study. 2023.

How open web advertising is transforming

Collectively, the trends mentioned on the previous slide are weakening the appeal of open web advertising. Research by the Trade Desk suggests US advertisers plan to spend more than half (52%) of their advertising budgets on walled gardens. Research by Liveramp has recorded a similar investment split.

A survey of US marketers, conducted by LiveIntent, has suggested that two-thirds of advertisers prefer logged-in media over the anonymous open web.

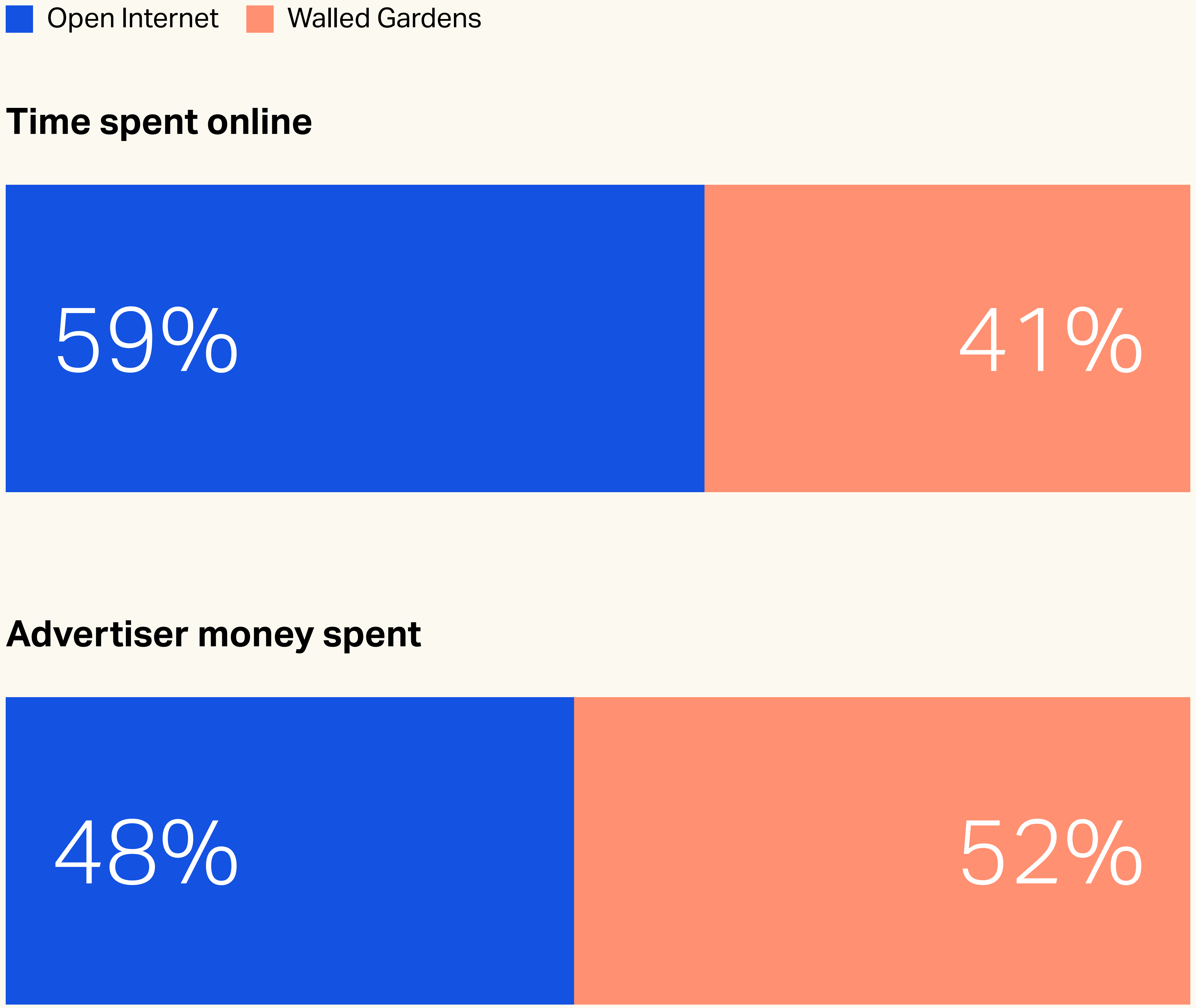
Despite this, the open web remains the arena in which internet users still spend the majority of their time. Beyond reach, open web advertising, at least in theory, offers advertisers more transparency, flexibility and control over their campaigns – particularly when compared with many of the 'black-box' AI-based products currently available to advertisers via the major walled garden platforms.

These advantages aside, open web publishers are also making changes to the way they operate. Research by the Association of Publishers has found that just 14% of publishers expect open programmatic to be their primary revenue driver in the next three years, with the majority of revenues coming from non-programmatic direct deals and private marketplaces.

There are also new partnerships springing up, with some walled gardens becoming 'gated' gardens by making their inventory available on some open web exchanges.

These changes may enable open web advertising to reach a compromise: one where brand safety and media quality are given greater priority, but not at the expense of transparency and accessibility to inventory.

Where consumers spend time online vs. where ad budgets are going



Source: theTradeDesk, Time well spent on the internet. 2023.

Expert **view**

There's currently a significant mismatch between the investment into the walled gardens, and the time spent there by audiences. First-party data can help bring this level of addressability to the open web, including emerging channels, such as connected TV, digital out-of-home, and digital audio.

Luke Fenney
VP Addressability
LiveRamp

The opportunities [with automation] are endless if you are able to implement it appropriately. [That means] contributing enough to the process for the automation to be effective. The automation will handle the grunt work, but you still have to take the time to ensure that you've given it valuable information and verify that it's working properly.

Greg Shickle
General Manager, PPC Solutions
Wavemaker UK

Takeaways

1. Transparency should be prioritised when working with AI-based tools

For agencies and brands, AI-based advertising tools promise greater efficiency and effectiveness through automation. However, the 'black box' nature of many of these tools means they can make decisions and deliver results that cannot be explained. This represents a threat to the authority and legitimacy of human marketers, who should consider adopting clear ethical principles for working with AI-based tools.

2. AI-generated content is a threat to media quality and brand safety

As highlighted in this year's Marketer's Toolkit report, the media landscape is "likely to become murkier, and potentially more dangerous" for brands as generative AI gives rise to a flood of misinformation, disinformation and deepfake content. This is a particular concern with several major elections due to take place in 2024. Hence, brands will need to be particularly vigilant about how they plan and place advertising to avoid unnecessary controversies or reputational harm.

3. Brands should take steps to protect their investments in open web advertising

Advertising on the open web may be a necessity for many brands that want to match their media investments to where audiences are spending time online. However, adequate care should be taken with these investments to ensure that quality inventory is prioritised, along with data access rights and 'impression-level granularity' into media buys, per the ANA's recommendations.

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Chapter 2

Linear TV under the microscope

Linear TV is reaching fewer people and getting more expensive. However, as it drops off marketers' list of 'preferred' channels, there is a risk of investment being withdrawn too quickly, and without proper consideration of the different contextual factors that help determine its value and effectiveness as a marketing channel.

Overall viewership and time spent with linear TV has been in gradual decline for a number of years, but these trends appear to have accelerated over the last 12 months.

Ofcom's sixth annual Media Nations report (UK data) recorded the biggest drop in Broadcast TV's weekly reach year-on year, which fell from 83% to 79%. This decline was particularly sharp among young audiences (aged 4-34), where viewing fell by 21%.

Data from Nielsen, published earlier this year, revealed that linear TV (broadcast and cable) usage in the US had dropped below 50% for the first time, with streaming increasing to 39% of total TV viewing time. On top of this, the cost of impressions on linear has increased (in some markets) to the extent that its payback (ROI) advantage over other channels has narrowed.

Against this backdrop, an increasing number of marketers appear to be questioning the value and effectiveness of linear TV advertising. Previously seen as the preeminent brand-building channel, research by Kantar has suggested that linear is no longer a 'preferred' channel for marketers, despite remaining the most trusted medium. Data from WARC's 2024 Marketer's Toolkit also shows that only 18% of marketers plan to increase their investment in linear TV this year, while 39% plan to withdraw spend.

There is a sense, then, that linear TV may be reaching a watershed. Especially as eyeballs continue to migrate to online video, streaming and CTV, putting more pressure on TV budgets.

At the same time there are a number of important counter trends, some of which suggest the prevailing narrative and sentiment around linear TV's decline is more nuanced than at first glance.

Linear consumption continued its gradual decline in 2023...

Linear TV consumption has been in gradual decline over the last decade. There is a sense that this decline has sharpened over the last year, however, actual time spent consuming TV only declined by 3 minutes per day, or 2.7%, in 2023. WARC Media forecasts global linear TV consumption to decline by a further 2 minutes per day, or 1.9%, in 2024.

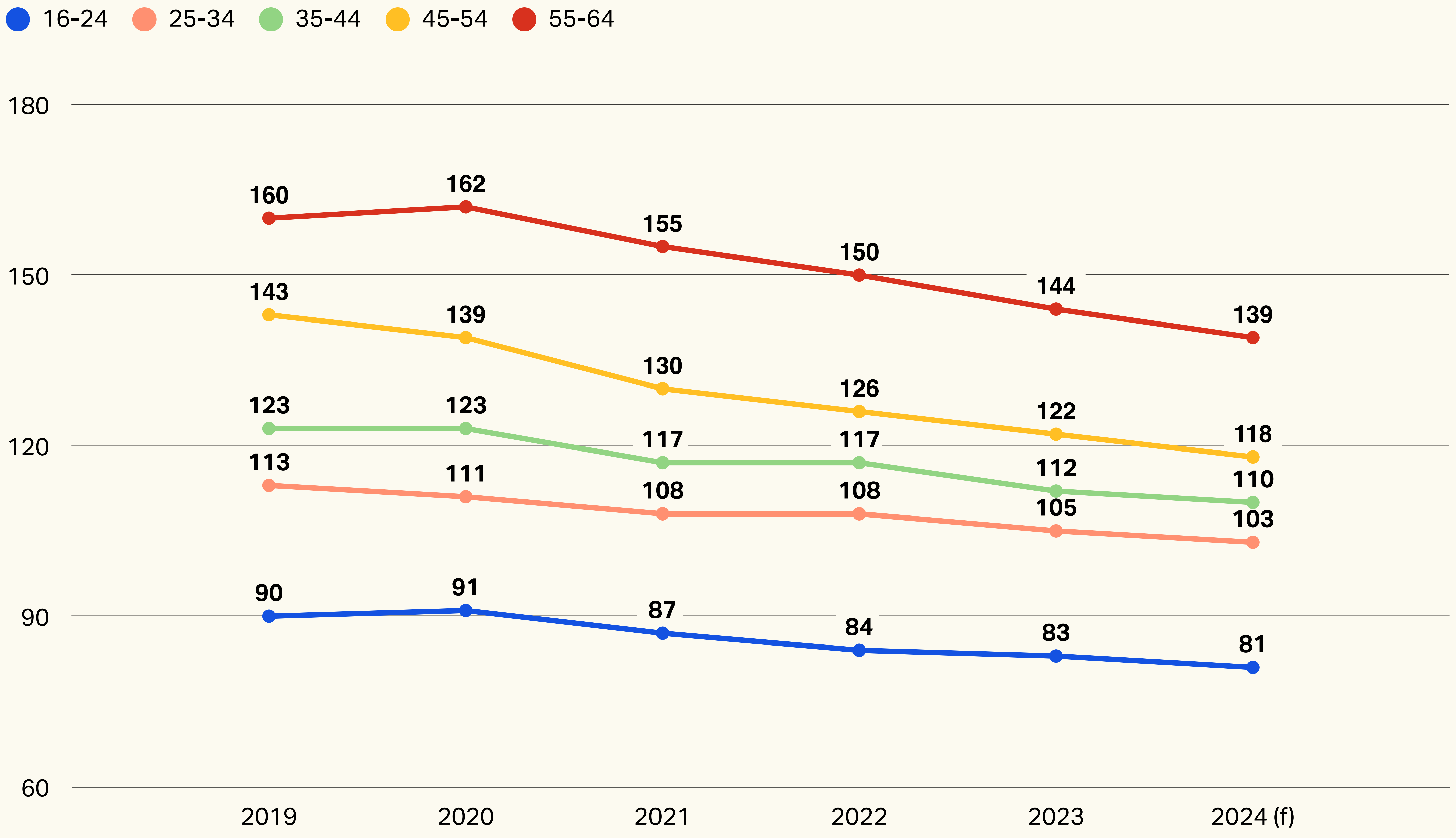
This would mean that in 2024, people will continue to spend more time with linear TV than streaming video, streaming music, or listening to podcasts.

That said, there are significant differences in consumption based on age. For those aged 55-64, linear TV remains the most popular media, with 139 minutes consumed per day, on average. For all other age groups (16-55), social media is the most popular form of media, with time spent consuming linear TV decreasing with age.

That said, even the youngest audiences (16-24) are forecast to spend 81 minutes per day consuming linear TV in 2024; about 17 minutes less per day than video streaming.

Global, Linear TV consumption by age group

Daily average minutes



Note: Daily consumption is the average time reported by respondents to GWI's quarterly. 2024 data are WARC forecast projections based on historic data and market trends.

Source: GWI, WARC Media

But linear spending decreased more sharply...

Linear TV spending decreased by 5.4% in 2023, according to WARC data*. This mirrors the decline in spend seen between 2022 and 2023, which, excluding 2021-22, represents the biggest percentage decrease in TV ad spending over the last decade.**

With consumption only gradually decreasing, there are other factors that help to explain why linear spending has declined more sharply over the last two years.

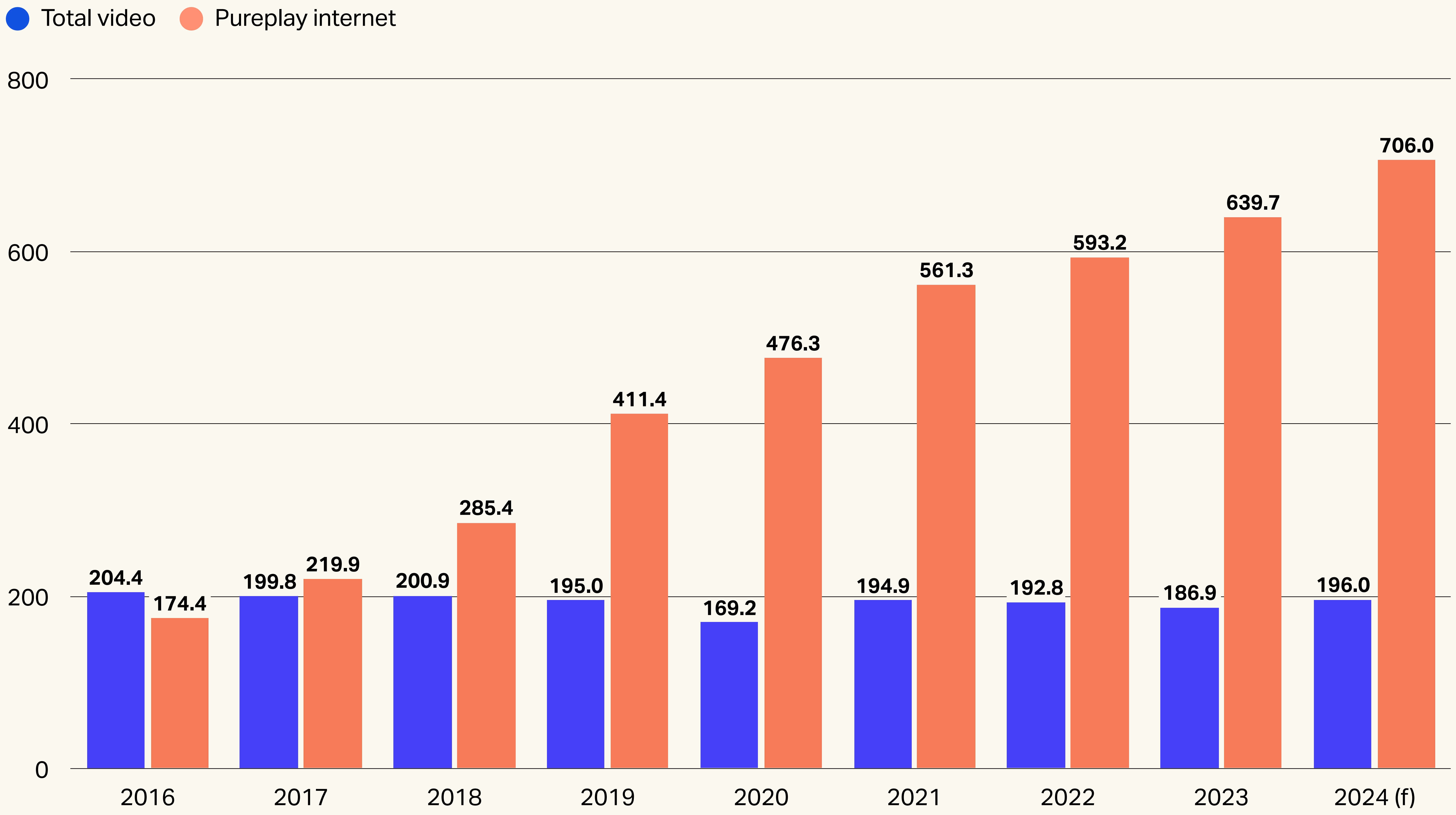
One of those is total video's (linear and CTV) overall share of ad spend, which has decreased by 18.8% over the past eight years as investment continues to shift to 'pureplay' internet channels; in particular search, social media and retail media. The double-digit growth of CTV has not been enough to offset a 20% decline in linear TV advertising, leading to an overall contraction in total video ad spending.

* The only other channel that experienced a similar decline in ad spending was publishing, which declined by 5.1%.

** Despite this, spend on linear TV is actually forecast to increase this year, by 3.5%. This is partly being driven by a 295% increase in political ad spending on linear TV. However, even with political spending excluded, linear TV spending is set to increase by 2.4% in 2024.

Global, Total video and pureplay internet ad spend

$, billions



Note: Total video includes linear TV and connected TV. Pureplay ad spend is net of discounts, includes agency commission, and excludes production costs. 2024 data are WARC forecasts.

Source: WARC Media

TV inflation has risen, but not uniformly across all markets and audiences

A second factor behind the recent drop off in linear ad spending is price inflation. Following the COVID pandemic, there has been a marked rise in the cost of advertising on linear television. Inflation has impacted all media channels, but the growth in average media costs on linear TV has been particularly pronounced. In fact, since 2018, TV has experienced the highest increase in year-on-year CPMs versus other traditional channels, with CPMs due to rise again next year to 7.8%.

This has prompted experts to question the payback advantage of linear TV. However, there is some debate over the true level of inflation on linear TV and its cost-effectiveness as a channel.

Ultimately, the impact of inflation varies significantly by market and target audience.

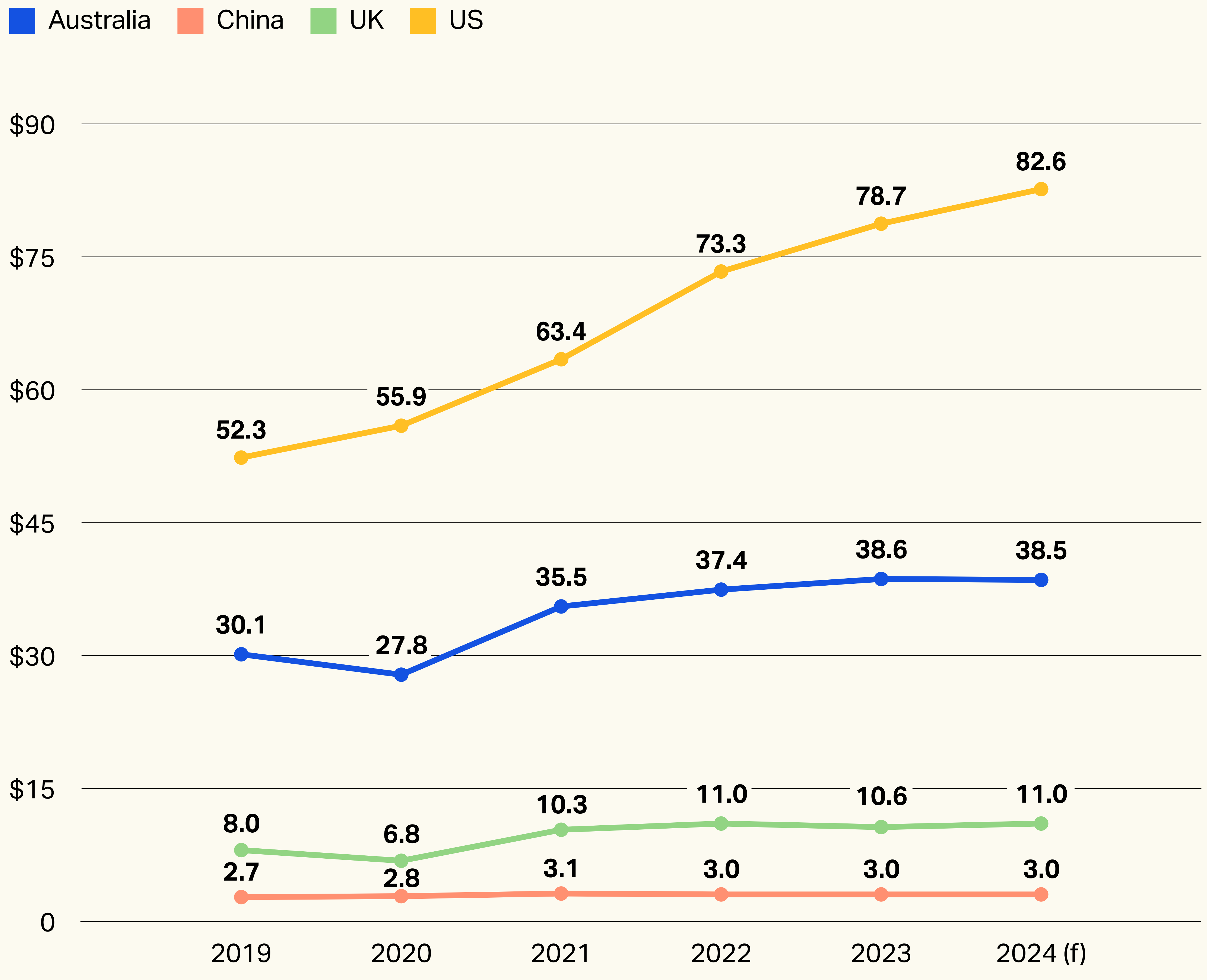
In China and the UK, for example, linear remains a relative 'bargain' with CPMs hovering around $11 and $3, respectively, for the last three years. Compare that with Australia and the US, where CPMs hit $38 and $78 in 2023.

Market conditions aside, a more significant determinant of TV price inflation is target audience. Analysis by WARC Media shows that US advertisers face having to pay a cost-per-thousand (CPM) of nearly $200 when attempting to reach audiences aged 16-34 on TV.

The average CPM for brands targeting young adults is forecast to hit $191 in 2024, up 4.9% year-on-year, and 58.1% higher than pre-pandemic costs from 2019.

Global, Linear TV cost per thousand (CPM)

USD$, nominal, all adults



Note: Data from OMD, WFA, and ECI Media Management. 2024 data are WARC forecasts.
Source: WARC Media

Managing reach and frequency across TV is a growing challenge

Price inflation requires advertisers to adopt a pluralistic approach when it comes to planning video. This is particularly the case for younger audiences, where it is likely that linear TV will no longer sit at the 'base' of the plan. Rather, campaigns will increasingly need to be weighted towards VOD, CTV and premium online video to achieve a good level of coverage.

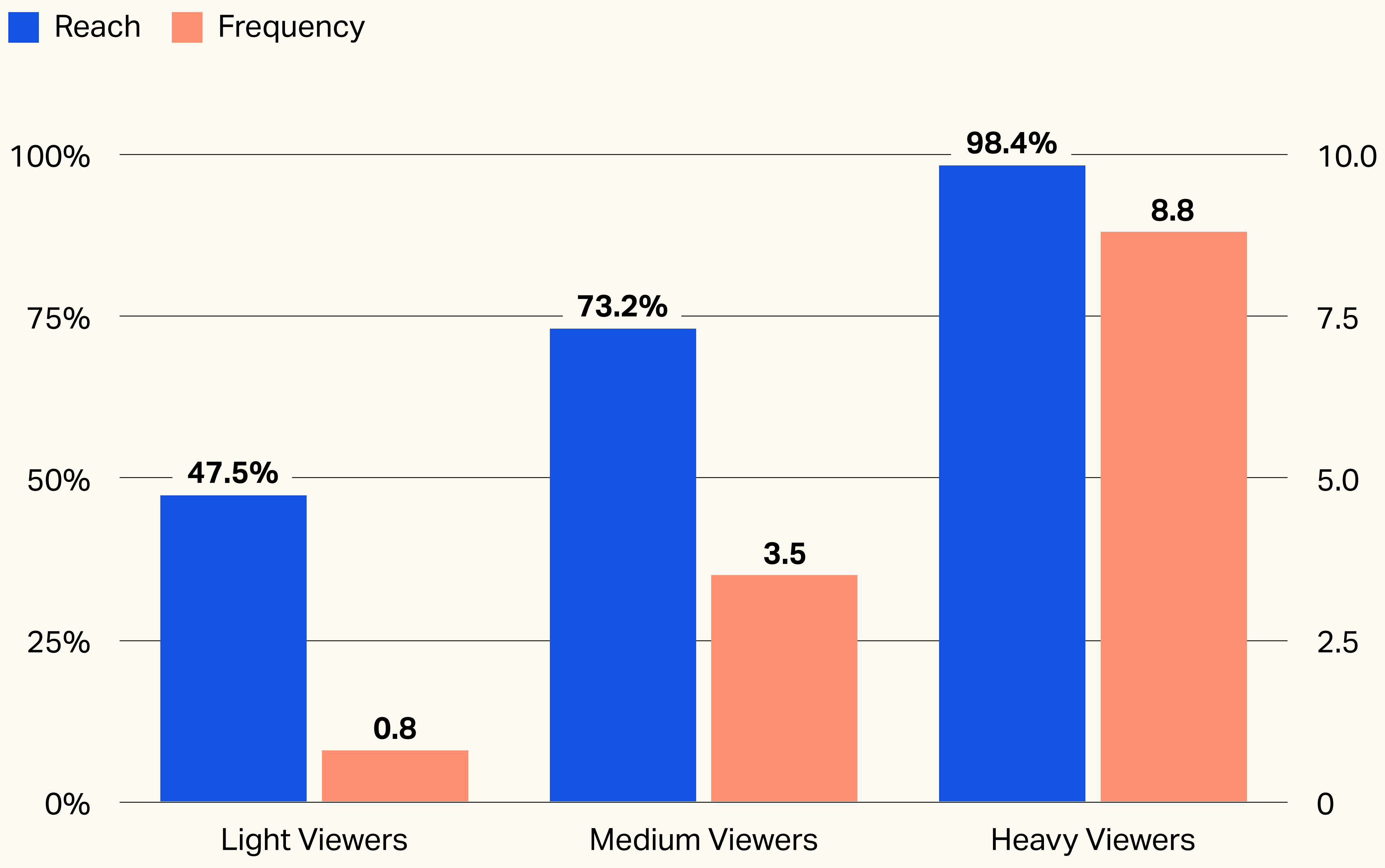
But this creates a two-fold problem for advertisers and media planners. One is how to avoid excessive frequency *within* video channels, which are typically made up of a mixture of 'light' and 'heavy' viewers. Light viewers tend to be harder to reach, but often make up a significant portion of total viewership. By trying to reach these audiences it is difficult to avoid over-serving advertising to heavy viewers.

The other challenge is avoiding excessive frequency across video channels. As Dave Morgan, CEO of Simulmedia has argued, the video ecosystem is made up of an increasing number of walled garden platforms, each with their own proprietary media and ad delivery platforms.

In this environment, "building plans that can deliver de-duplicated reach becomes very difficult. Running campaigns without delivering – and paying for – massive amounts of wasted frequency is even harder".

Example from an insurance brand running an audience data-driven campaign on LG smart TVs.

Campaign reached less than half of light linear TV viewers, with a frequency of less than once per week. Conversely, heavy linear TV viewers were shown the ad about nine times on average per week



Source: LG Ad Solutions, Linear and Streaming TV: Arch Enemies or Dynamic Duo? 2022.

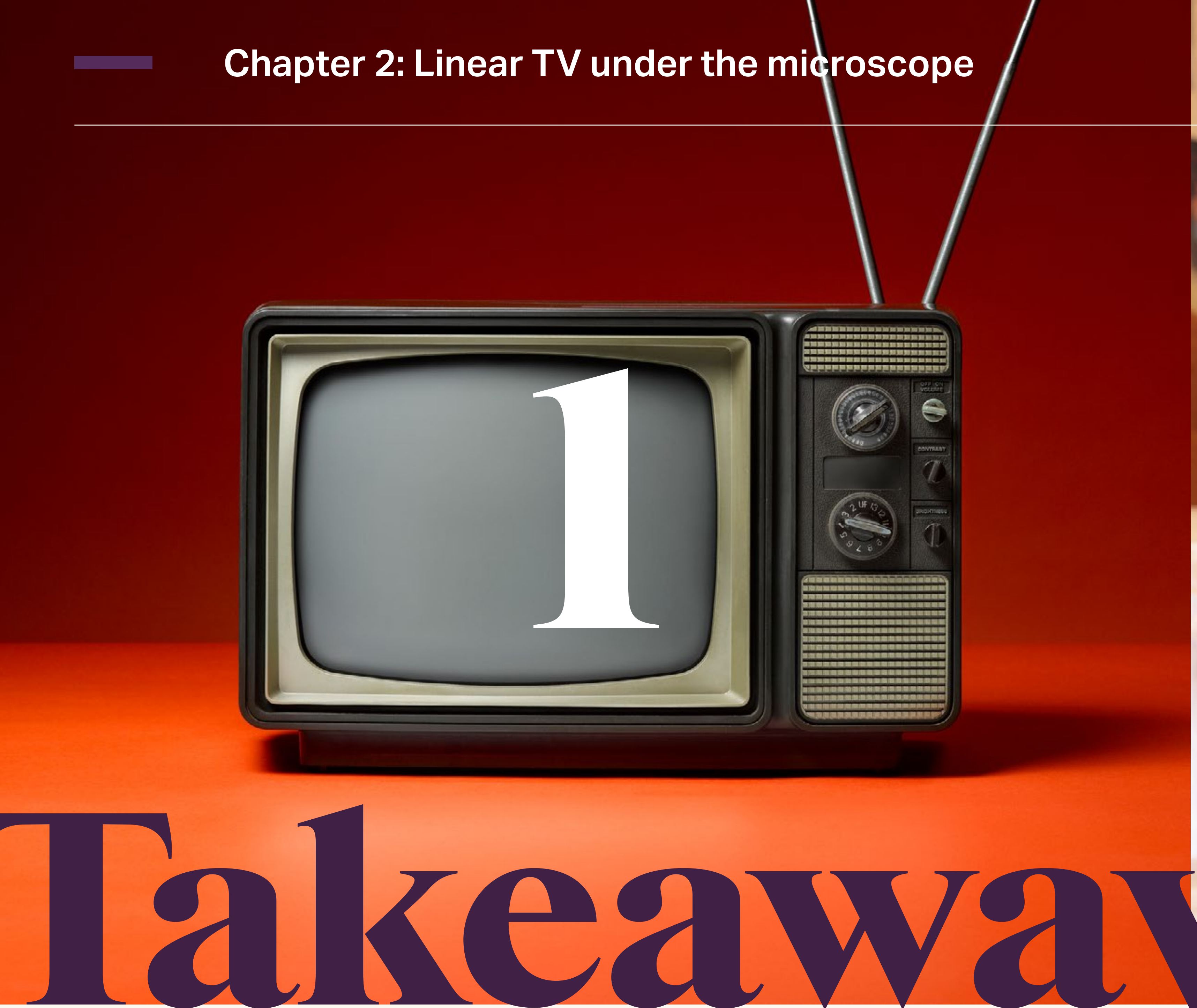
Expert **view**

[Holistic planning] is about combining the best of the old with the best of the new. The outcome of such a marriage is a way of working that straddles both worlds and begins to break down the digital vs. AV silos that cause so much tension within the market.

Louis Wedgbury
Head of Digital
Hearts & Science

We hear a lot about "linear is dead." People are still watching linear TV. They tend to be older, but they are still watching linear TV. And it's 50% of this whole pie. Our budgets need to represent that, depending on your age segment and who you're going after.

Dave Campanelli
EVP/Chief Investment Officer
Horizon Media



Takeaways

Contextual considerations are key when deciding how much to invest in linear TV

With linear TV reaching fewer people and getting more expensive, scrutiny over linear TV investments is likely to be high. To ensure that these investments are delivering value, it is important brands take into account the impact of the market and their target audience on TV inflation. For some brands, TV might be less relevant, but for many brands it is likely to remain a cost-efficient and highly effective marketing channel.

Holistic video planning makes managing ad frequency more complicated

While linear TV will remain a worthwhile investment for many brands, it is also true that, due to media fragmentation, "most campaigns will require a mix of linear TV, VOD and online video to achieve good coverage". However, planning this way will mean brands and agencies need to take extra care in avoiding excessive frequency both within, and across, different video channels.

Understanding video synergies is key in the era of cross-media effects

As viewing becomes even more fragmented, understanding and exploiting synergies across linear TV, CTV and digital will become even more important. Brands and agencies should devote time to studying and exploring cross-media effects, to understand, for example, the link between cross-screen campaigns and improvements in brand awareness, brand favourability and ad recall.

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Chapter 3

Attention measurement at a crossroads

An increasing number of brands and agencies appear to be embracing attention measurement as a means of assessing creative and media quality. However, a lack of common standards and substantial evidence are two potential barriers to attention measurement achieving widespread adoption and legitimacy.

WARC AI image

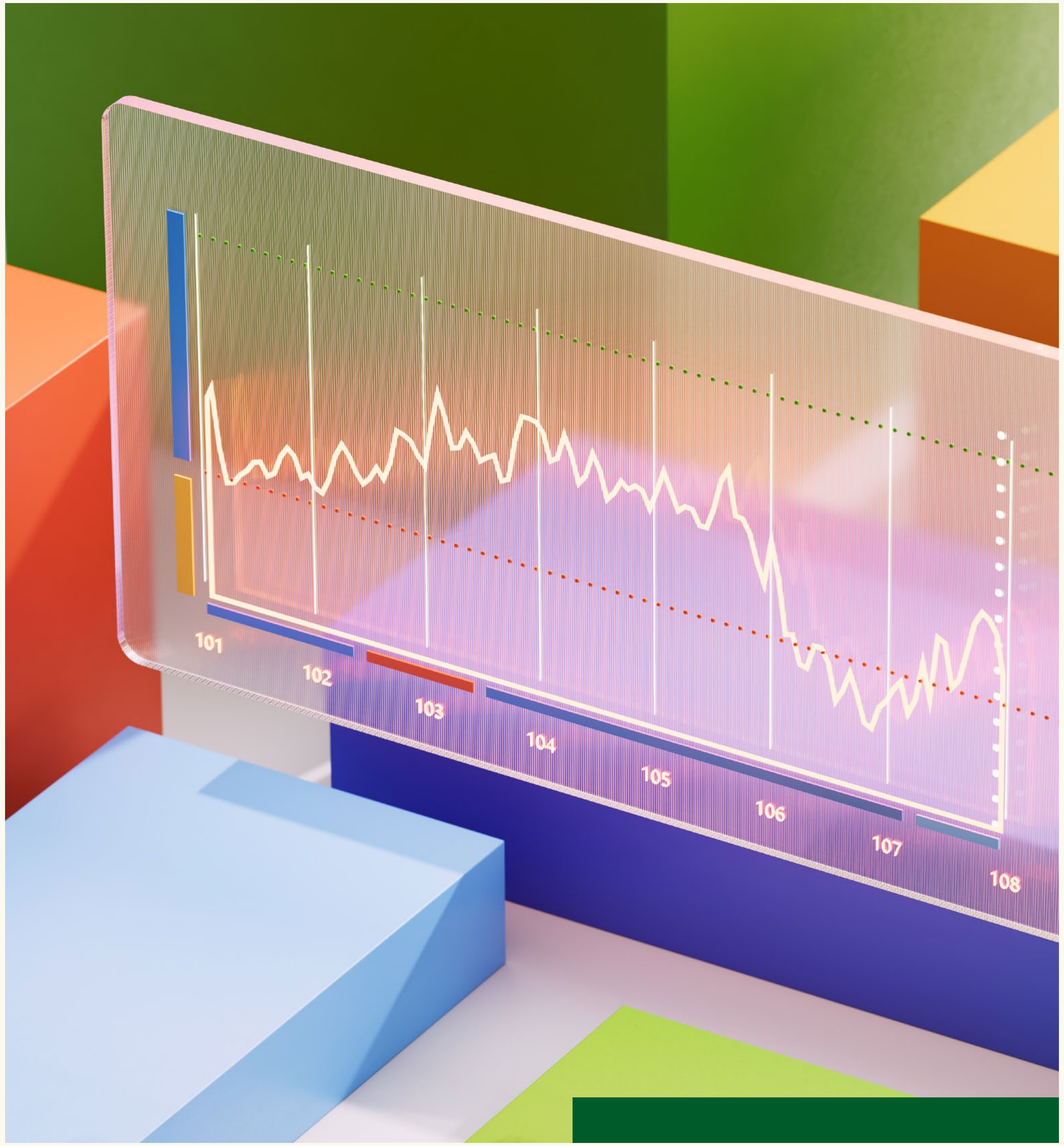
Over the last three years, attention measurement has grown from a niche area of interest into a broad and widely accepted approach to measuring media and creative quality.

Dubbed in some quarters as the 'year of attention', 2023 saw a number of major adtech players focus on attention tracking. A raft of new research and case studies also appeared. And leading industry bodies such as the IAB and Advertising Research Foundation published new guides to help brands navigate the emerging attention ecosystem.

Alongside these efforts, research by industry bodies like the ANA has continued to underline issues with the 'old' system of advertising – a system based on impressions and 'opportunity to see' metrics like viewability, easily gamed by low-quality Made-for-Advertising (MFA) websites, and driven by an inherently flawed understanding of natural human viewing behaviour.

With the phasing out of third-party cookies now less than a year away, and concerns increasing about the rise of low quality AI-generated content, interest in suitable proxies for media quality measurement - like attention - is set to rise.

At the same time, attention has several hurdles to overcome in order to achieve widespread adoption and legitimacy as a method for assessing media quality and effectiveness.



The fragmentation of attention measurement

With so many competing vendors and methodologies, attention measurement has become more fragmented. Agencies, media owners and brands are having to work with multiple definitions of attention, which is not only a logistical and operational headache, but a barrier to establishing common standards and best practices.

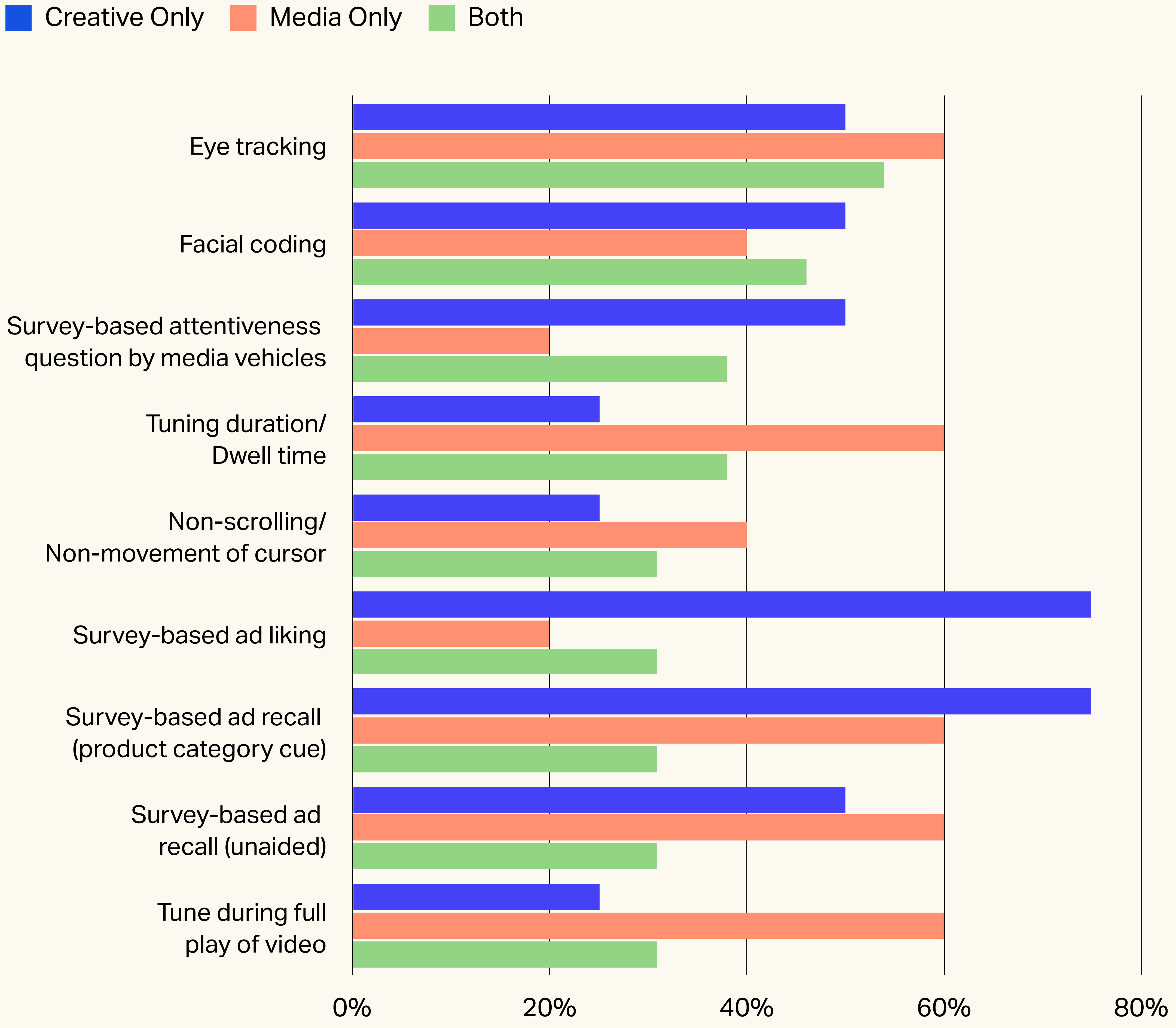
The Advertising Research Foundation (ARF) has conducted valuable research in this area by attempting to map current services and vendors in the field, of which there are 29, according to their analysis.

Most of these companies measure both creative and media attention. However, exact definitions of attention vary across companies, and are principally led by the types of tools and methods they use to measure attention.

The top tools used across all companies are eye tracking (50%), survey-based ad recall (46%), tuning duration/dwell time (42%) and facial coding (42%). In aggregate, survey methods are the most popular means of measuring attention.

These are particularly prevalent in creative tests. Media measurement, on the other hand, relies more on duration metrics. These are proxy measurements because, as the ARF state, they are "not directly measuring attention but rather inferring attention from mouse tracking, dwell time and other noncognitive behaviors".

Top tools used by creative vs. media specialists



Source: ARF, Attention Measurement Validation Initiative: Phase 1. 2023.

Current limitations of attention media measurement

The prevalence of duration metrics in media attention measurement is a concern. As experts have argued, duration metrics like dwell time or time-in-view are misleading because they falsely equate time spent exposed to advertising with human active attention. This leads to gaps in measurement and can encourage advertisers to 'game' advertising to increase the duration of attention.

Marc Guldimann, founder of Adelaide metrics, calls this the "paradox of attentive audiences" and labels it as the number one threat to attention metrics.

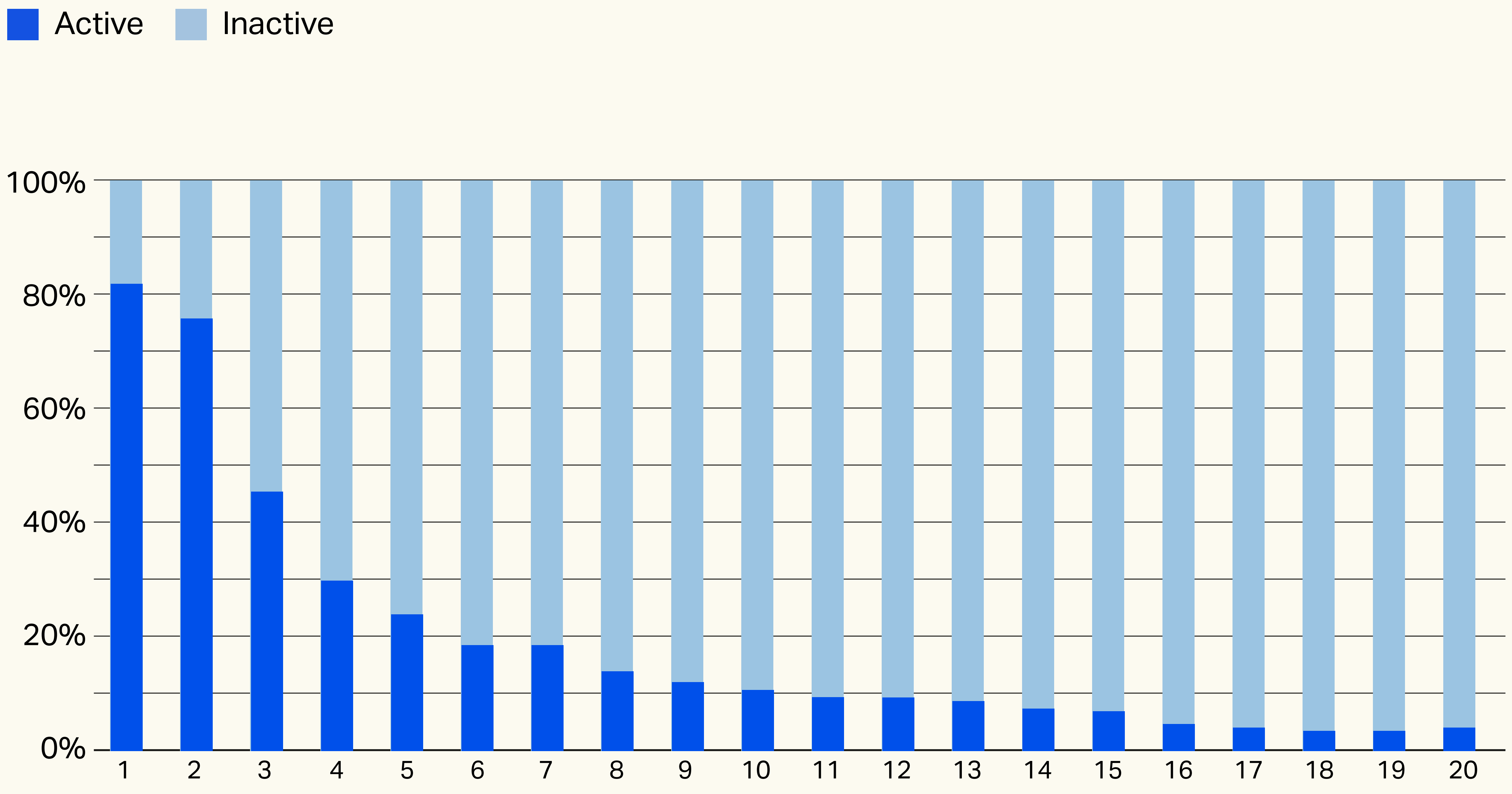
As he explains, optimising towards duration-based attention metrics (DBAMs) can lead to several unintended, and potentially unappealing, biases. These include over-indexing towards older audiences, and over-exposing audiences to repetitive advertisements.

Karen Nelson-Field has advocated for the importance of 'ground truthing' when it comes to attention measurement. This means measuring attention using "person-level human data collected via gaze tracking and/or facial detection when they are consuming media in real time". Such data can then be combined with impression-level data to predict accurate attention metrics on a large scale.

Currently, only around half of companies that measure media attention are using eye tracking or facial coding as a method, according to the ARF.

How duration-based metrics treat human attention versus the reality of how humans pay attention to advertising.

In this example, due to diminishing attention over time, only 44% of the reach volume the advertiser thinks they are buying is achieved.



Source: Karen Nelson-Field, Amplified Intelligence. 2022.

The need for ‘meaty proof’ in attention measurement

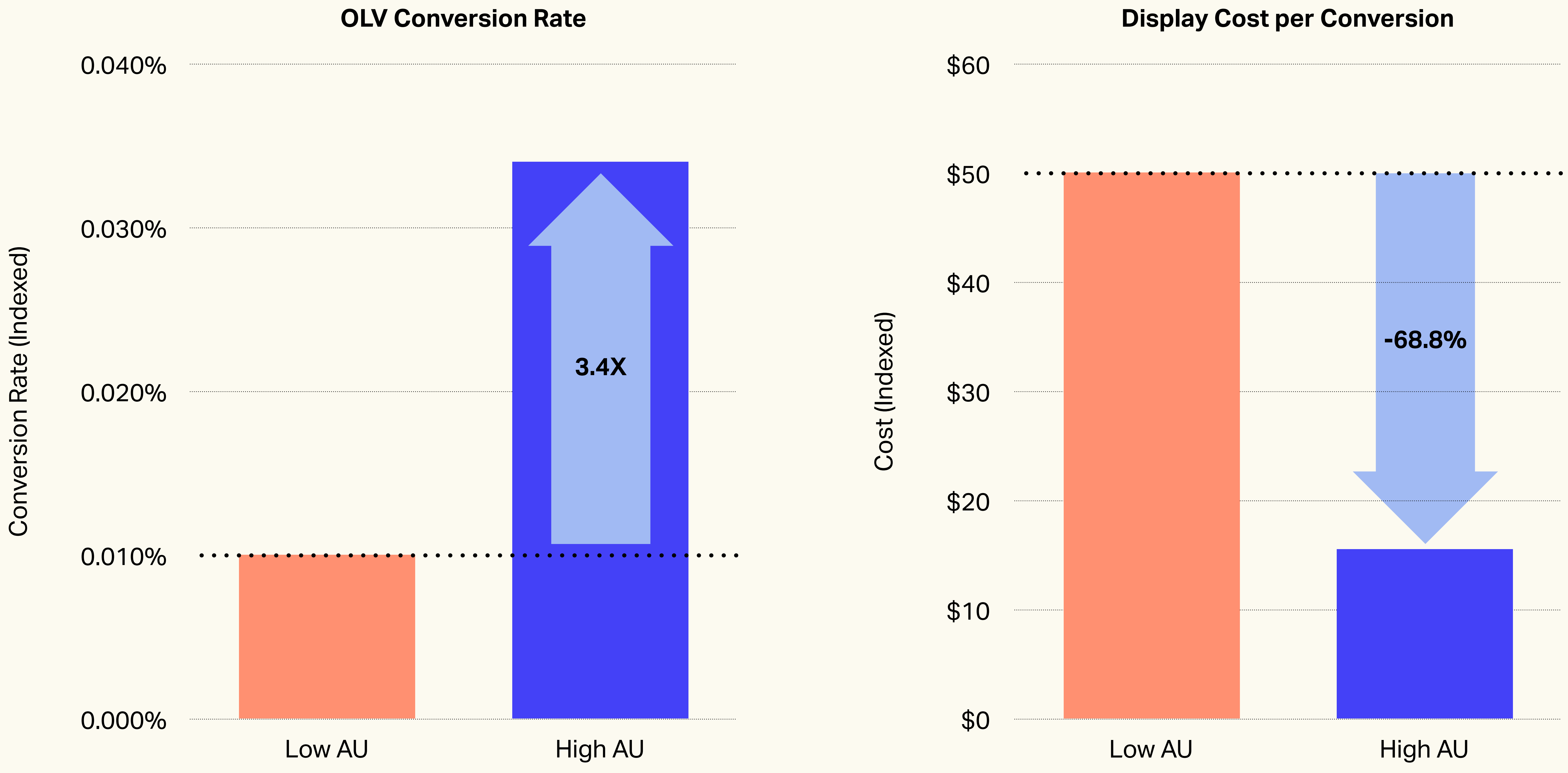
While attention metrics are increasingly gaining traction as a valuable means of measuring media quality, more work needs to be done to demonstrate that attention is not just simply another “intermediary of success”, but a credible driver of business outcomes.

Karen Nelson-Field calls this ‘meaty proof’. That is, research that tangibly demonstrates the link between attention and business metrics like profitability, market share growth and sales.

In 2023, there were a few individual studies and research reports published (for example, by Omnicom and Adelaide) that provided evidence of the link between attention and business outcomes. However, there is a need for more robust evidence if CFOs and procurement teams are to be persuaded of the value of investing in attention measurement.

AU* drives increased sales with lower cost per conversion

High-AU Display media drove the highest conversion rate at the lowest cost, with a 69% decrease in Cost per Conversion compared to low-AU media.

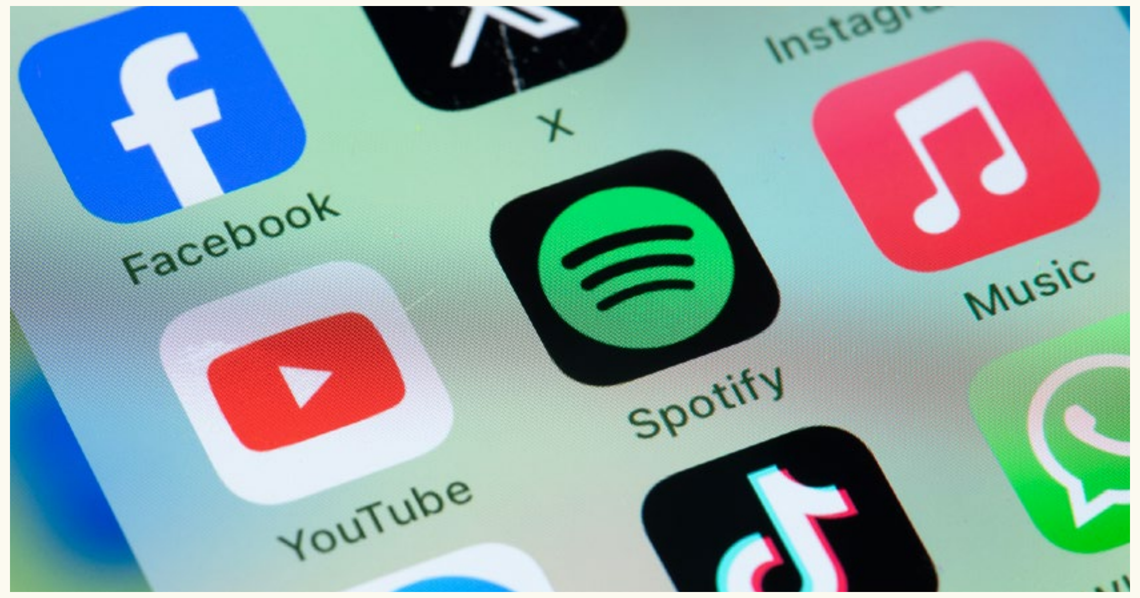


* AU is Adelaide’s omnichannel metric that measures the likelihood of attention paid by any person to any creative in an ad placement

Source: Adelaide, 2023 Outcomes Guide. 2023.

Attention measurement must overcome several barriers before it achieves mainstream adoption. At the same time, the field is showing no signs of slowing down.

As attention measurement evolves, there are several areas of future exploration that may help advance the case for its use in media planning, buying and measurement.



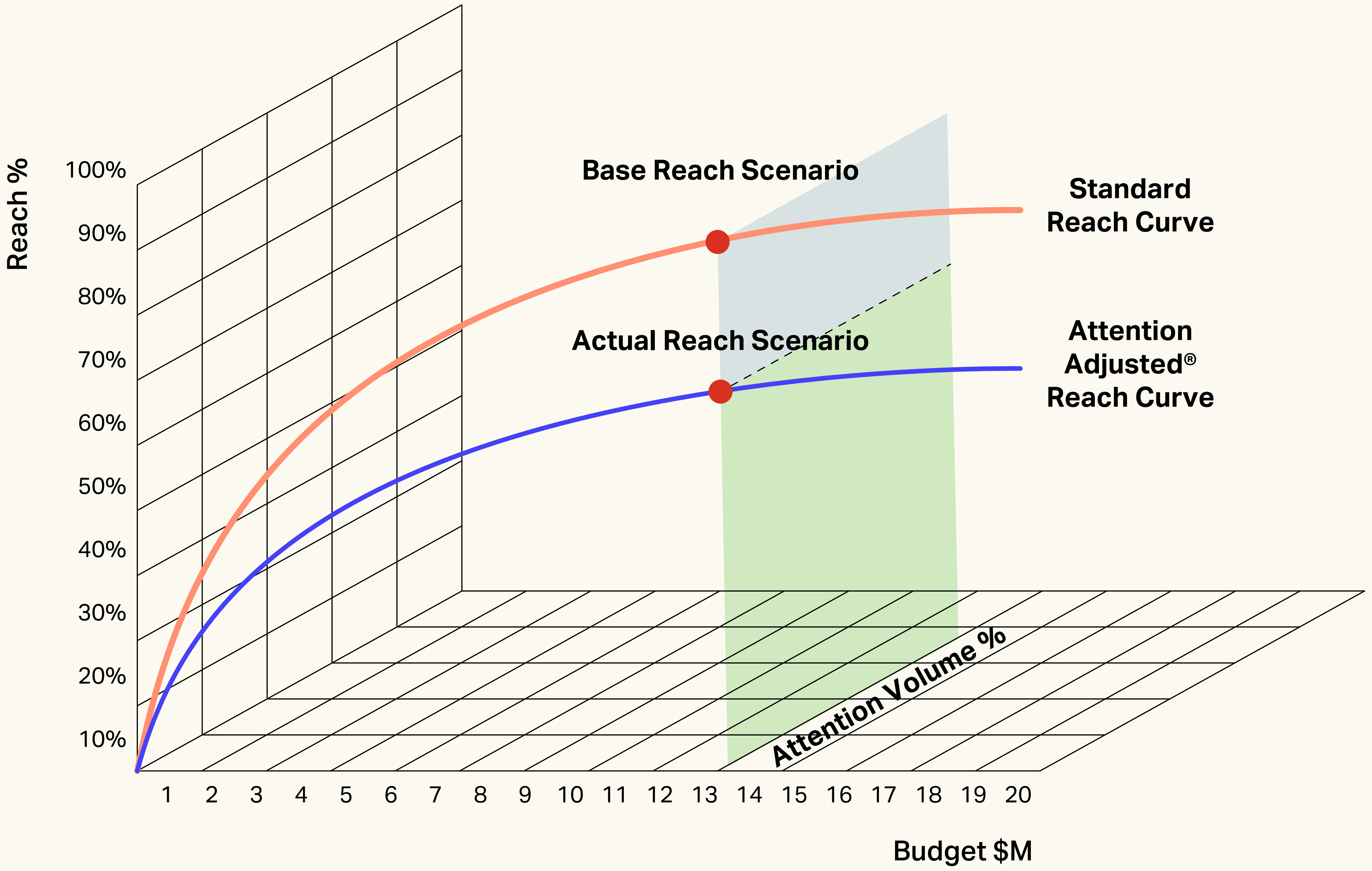
The first and perhaps most obvious of these is the use of attention-adjusted reach curves in media planning, which would signal a departure from traditional methods that rely on proxy metrics like viewability, reach and frequency to measure advertising exposures.

While this may go some way towards repairing the correlation between reach and effectiveness, there are other dimensions of media quality that agencies and brands may need to consider to get to the most effective plan (see overleaf).

Beyond this, there is a need to understand how attention works across different media channels and formats. A common criticism of attention measurement is that – with its focus on methods like eye tracking and facial coding – it is strongly biased towards visual media.

As a result, there is a dearth of research currently looking at attention in audio advertising, though the early work in this space has had promising results for audio audiences. This includes audio-visual media

Reach curve comparison: Standard vs attention adjusted



Source: Attention adjusted reach curves are the next evolution in ad measurement. Amplified Intelligence. 2023.

like television, where even if users are 'tuned out' visually, they may still be listening and absorbing advertising messages.

Other important areas of exploration include the link between attention and frequency, how attention works over different time thresholds, the influence of context on attention levels, the impact of different creative formats on attention, and the influence of audience on attention dynamics.*

*Note: List adapted from Lumen and Teads white paper: 'Unveiling the Connection: Attention & Outcomes, 2023.

Media quality is more than just attention

Attention measurement is one way of assessing media and creative quality, but there are other elements that are important too. Some agencies are responding by trying to build new models of media quality – capable of taking into account multiple parameters – with the goal of trying to strengthen the link between reach and impact.

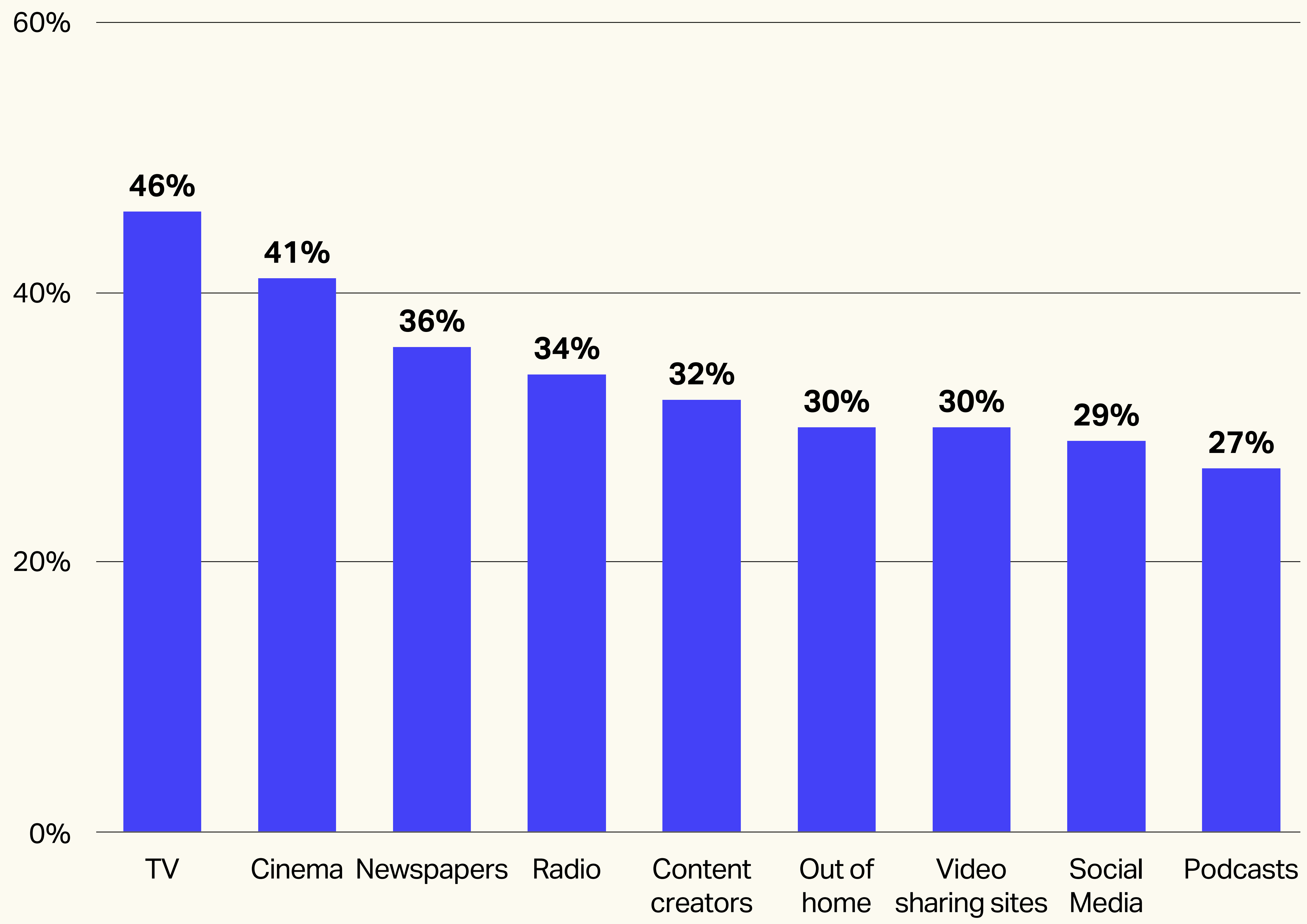
In 2023, Zenith UK began experimenting with a new media quality metric called 'right reach', based on three definitions of media quality: attention, context and relevance. Reach curves were modified based on these parameters, leading to significant improvements in the predictability of media plans.

In research published in January 2024, Rich Kirk, current CSO of EssenceMediaCom and former CSO of Zenith, recommissioned a 2020 study conducted by ThinkBox looking at the 'signalling strength' of different media channels. In essence, signalling strength is designed to assess whether the perceived cost and scale of an advertising channel can enhance brand attributes in the eyes of the consumer.

Findings from the research suggest that signal strength varies by channel. Generally speaking, addressable, one-to-one channels fared worse than media consumed in a public and shared manner (see chart on the right). The study also found that signalling strength correlated strongly with long-term ROI and the halo effect of one channel onto other media.

To date, the focus on quantifying media quality has mainly centred on physical measures: dwell time, shared viewing, viewability and now attention. But as recent studies highlight, there are other factors for advertisers to consider when assessing the relative quality of individual media channels.

Media signalling strength by channel



Source: Signalling Success 2. EssenceMediaCom and Burst Your Bubble. 2023.

Expert **view**

We need to find the right balance between theoretical definitions of attention and practical use cases. The latter will probably have more of an effect on shaping standardisation. But even without clear standards, there remains an appetite in the industry to solve the challenge of what counts as a quality impression.

Thaer Namruti
EVP Global Data & Technology
Publicis

It's clear that the industry needs more robust evidence [for attention measurement] to convince CFOs and procurement teams that low-cost media doesn't necessarily equate to efficiency. When we focus on business effects and align with the goals of CFOs, the industry as a whole will benefit.

Karen Nelson-Field
Founder and CEO
Amplified Intelligence

Takeaways

Buying attention services requires close scrutiny of vendor tools and methods

With so many potential vendors to choose from, brands and agencies should spend time interrogating service providers to ensure their methodologies stand up to scrutiny. Mike Follett, founder and CEO of Lumen Research UK, suggests several areas, including the origin of attention data; whether there is human attention data involved; what factors go into the attention prediction model; and, how the model correlates with outcomes like brand lift and sales.

Brands should conduct their own experiments into attention to determine its value to their advertising

There is a growing body of evidence demonstrating the efficacy of attention measurement. However, when measuring attention, it is important for brands to also conduct their own experiments; to understand the unique factors (e.g. brand size, brand familiarity, category dynamics) that help explain the attention paid to their brand advertising.

Proving the business effects of attention is important to securing buy-in from internal stakeholders

In order to convince the CFO and procurement that attention measurement is a worthwhile investment, it is important to focus on the 'meaty proof'. That is, the substantial evidence that goes beyond survey-level insight to demonstrate the positive impact of attention measurement on business effects such as market share, sales and profitability.

WARC

Chapter 4

The growth of in-game advertising

In-game advertising represents a massive, if largely untapped opportunity for brands. With increasing amounts of ad inventory available, and a highly engaged, diverse audience of casual and core gamers, 2024 may be the year that advertisers need to start taking in-game advertising more seriously.


WARC AI image

With a global audience of over 3 billion, gaming has developed into one of the most popular and pervasive forms of entertainment in the world.

Gaming already generates more revenue than film and television industries combined and attracts an incredibly diverse audience. Research by Newzoo suggests that young people spend more time gaming than watching TV or subscription content. Moreover, compared with other media channels, gaming tends to drive higher levels of engagement and attention.

Gaming ad spend is growing too, but at a rate much slower than other emerging channels. Research by IAB estimates that gaming accounts for about 5% of advertiser budgets. PWC estimates that video game advertising revenues will be worth $91 billion in 2024. For context, this would make gaming the 5th largest channel by ad spend, behind search, social media, linear TV and retail media.

The IAB has highlighted a number of misconceptions that help to explain why in-game advertising is still waiting to capture the attention – and budgets – of advertisers:

- It's costly for brands to get started
- It's difficult to activate at scale with quality inventory and reach
- It doesn't deliver on key objectives throughout the funnel
- It's difficult to measure due to lack of standards and capabilities available
- It isn't a safe and welcome environment for brands

On top of this, the gaming industry has experienced a challenging year, with new privacy regulations, inflationary pressures and declining private investment leading to a decline in growth between 2022-23.

Despite some setbacks, marketers remain bullish on gaming as a marketing channel. According to the Marketer's Toolkit Survey 2024, more than half (51%) of advertisers plan to increase their investments in gaming this year.

There are shifts taking place across the wider gaming industry that signal the potential for further growth. These include:

- **Major acquisitions:** Microsoft's landmark deal to purchase Activision for $69 billion, which was approved by the EU Commission in May of 2023, as well as Sony's purchase of Bungie and Savage Games Studios in 2022. In effect, these deals will support Microsoft and Sony's ambitions of building entire gaming 'ecosystems', made up of cloud services, console and mobile games*.

- **The leveraging of gaming IP in TV and movies.** After the launch of several highly successful TV series and movies – including *The Last of Us* and *The Super Mario Bros. Movie* – this year will see a swathe of new releases based on games such as *Gran Turismo, Sonic The Hedgehog, Borderlands and Fallout.*

- **The growth of cloud-based gaming.** Companies such as Nvidia, Microsoft and Sony have already established cloud-based game streaming services, with these expected to grow significantly over the next few years as technology evolves. Analysis by Newzoo suggests that cloud gaming audiences and revenues will both triple between 2021 and 2025.

- **Investment from new entrants.** Entertainment companies like Netflix have launched their own mobile gaming divisions, with plans to expand into cloud gaming in the near future. Other companies – including Amazon and Bytedance – have launched their own gaming divisions. However, recent news of restructuring and layoffs suggests both companies have experienced challenges in turning these ventures into viable operations.

These trends – along with higher volumes of in-game advertising inventory available to purchase – are increasing the relevancy of gaming as a marketing channel for brands and agencies.

* On different occasions, both companies have identified in-game advertising as an important opportunity for future revenue growth. This reflects a trend across the industry as a whole, with a greater number of gaming ecosystems and platforms embracing advertising as a source of revenue.

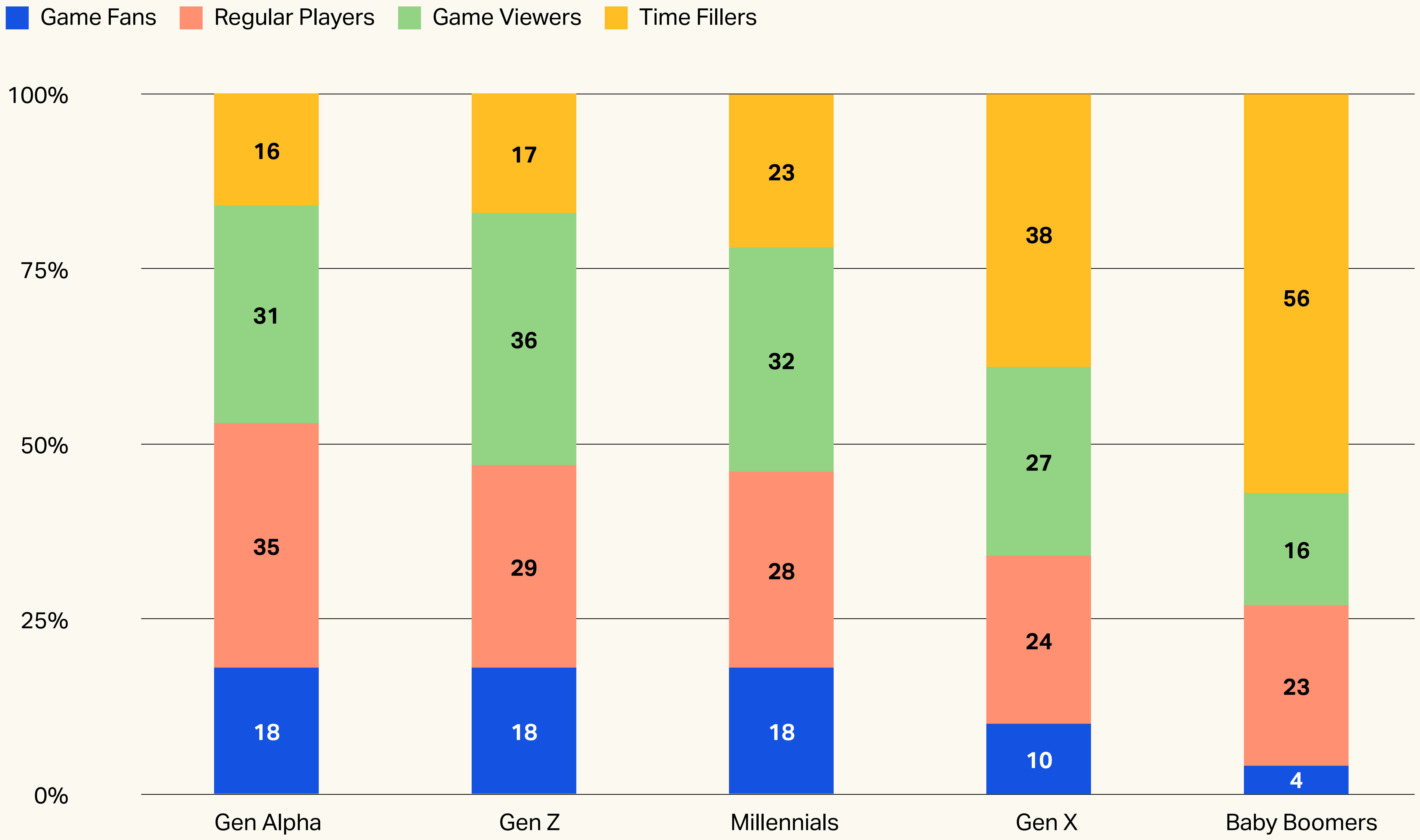
Reaching hard to reach audiences

As gaming continues to grow, definitions of 'gamers' are evolving beyond traditional stereotypes. Research by BCG has shown that mobile remains the dominant medium, with mobile games absorbing nearly twice as many hours per week as PC/console games.

Mobile also attracts a more diverse audience, including a significant percentage of older consumers and females. That said, the gaming audience still skews young overall, with 87% of Gen Z consumers playing games weekly compared to 55% of those above 55.

Other research on gaming demographics suggests that 93% of LGBT+ community members play video games (making them 16% more likely to play than the average internet user).

Share of each gaming persona per generation



Note: Each gaming persona comprises several sub-personas. Game Fans consist of Ultimate Gamers, All-Round Enthusiasts, and Community Gamers. Regular Players consist of Solo Gamers and Mainstream Gamers. Game Viewers consist of Backseat Viewers and Popcorn Gamers. Time Fillers is a persona of its own. Further explanation of each sub-persona can be found here.

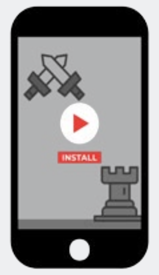
Source: Newzoo, How Consumers Are Engaging with Games in 2022. 2022.

Advertisers have a plethora of advertising formats to choose from...

When it comes to in-game advertising, brands have a plethora of formats to choose from. The list below, provided by the IAB, is not exhaustive, but covers many of the major ad format types available:

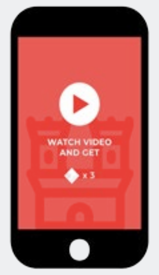
Intrinsic In-Game
Sometimes referred to as native in-game or in-play, these ad placements, product placements, and experiential branding environments are in the game, and a seamless part of gameplay.

Adjacent
The ad placement is next to the game, such as a banner image ad below a mobile puzzle game.



Interstitial
The ad placement is around the game, as gameplay stops and the ad itself becomes the focus.

Audio
The ad placement is purely audio in nature, overlaid during gameplay without pausing the game.



Rewarded
The ad placement provides an opportunity for users to watch a video or engage with a playable ad in exchange for a reward within a gaming environment.

Sponsored
A brand can sponsor gameplay through special levels and brand themed in-game events.

Advergames
A custom game designed around a specific product or brand.

Skins
A brand can create a “skin” item that players can acquire in-game which changes the appearance of their avatar (the character that represents the player in-game).

Branded World
A brand can develop a fully immersive, branded experience such as an island, an independent gameplay experience, or a branded level.

Hard Coded
The ad placement is built into the game and unchangeable – such that it can only be changed by modifying the source code and recompiling.

Source: IAB, Finding success with in-game advertising, 2023

...But must tread carefully when deciding on format and content

There are a number of considerations for brands to make when deciding on appropriate ad formats for in-game advertising. First, resistance to in-game advertising seems somewhat age dependent, with older demographics showing stronger aversion to in-game ads compared to younger cohorts.

While research by Monetizr suggests that audiences are ambivalent about whether ads are woven into gameplay or kept separate, other research has shown that conventional display/pop-up ads may be less memorable and more annoying than 'in game' or 'around the game' ads which are designed to more seamlessly integrate with the gaming environment.

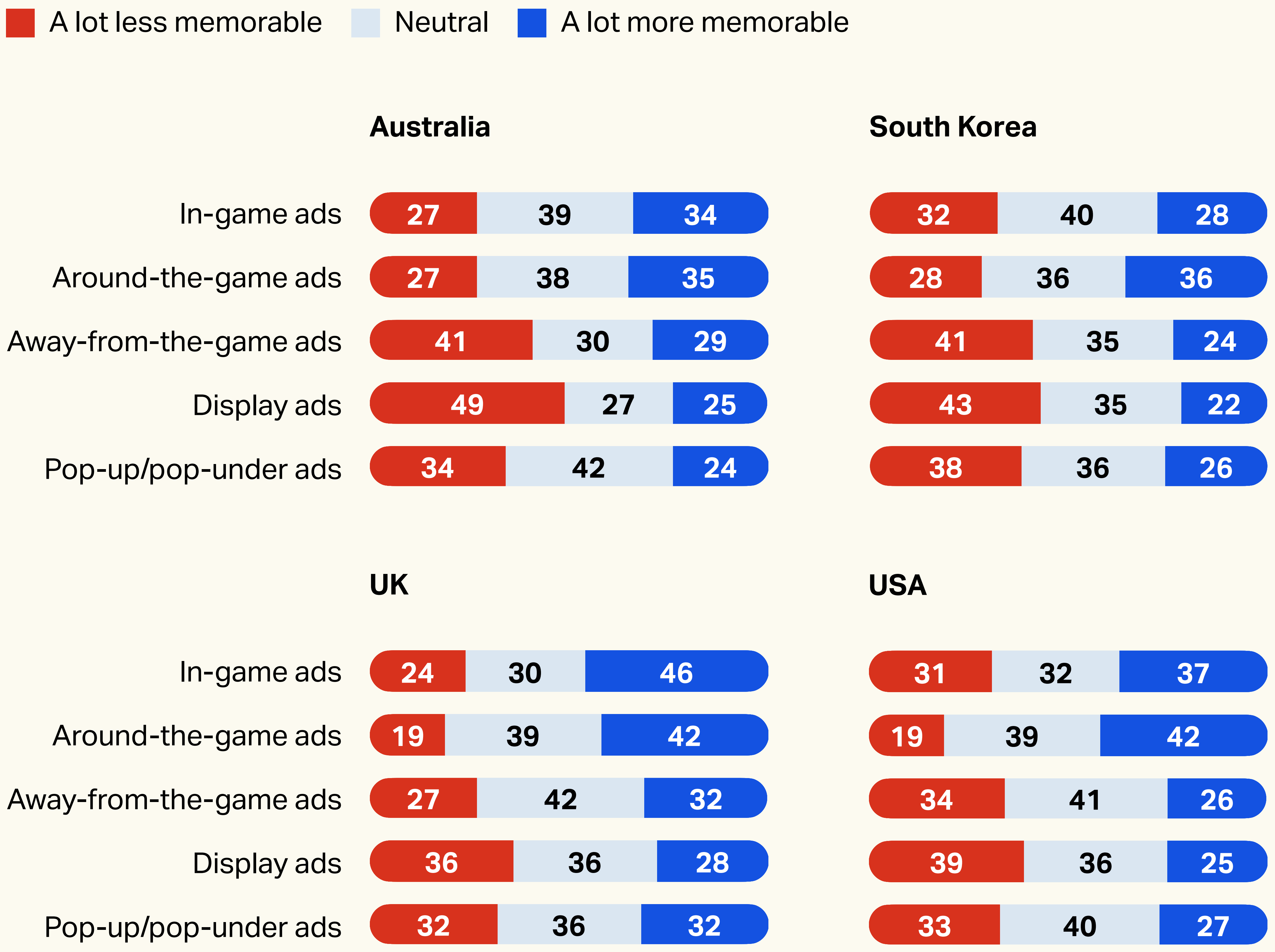
For mobile games in particular, ads that offer some kind of reward (e.g. bonus level/content, second chance) are particularly appealing.

Generally speaking, ads that minimise disruption and blend into the gaming environment and experience are seen as more relevant and engaging to consumers.

The Pringles 'Meet Frank' campaign, which featured in WARC's Effective 100, is a good example of a campaign that embraced these principles. The campaign delivered a 50% increase in spontaneous brand awareness and 25% growth in sales. Market mix modelling data revealed that gaming was Pringles, most profitable channel, generating €2.92 profit for every €1 spent.

Memorability of different in-game advertising formats

(Australia, South Korea, UK and USA)



Note: Some ad format options excluded in chart above (search ads, direct mail ads, mobile ads, native ads, app store ads)
Source: GWI and Venatus. Unlocking gaming communities: a path to success for advertisers and publishers. 2023.

In-game advertising has been shown to drive higher levels of attention and engagement

So far, there has been limited research into the effectiveness of in-game advertising. However, new research by Lumen and Anzu has shown that gaming ads hold a number of advantages over other digital advertising formats.

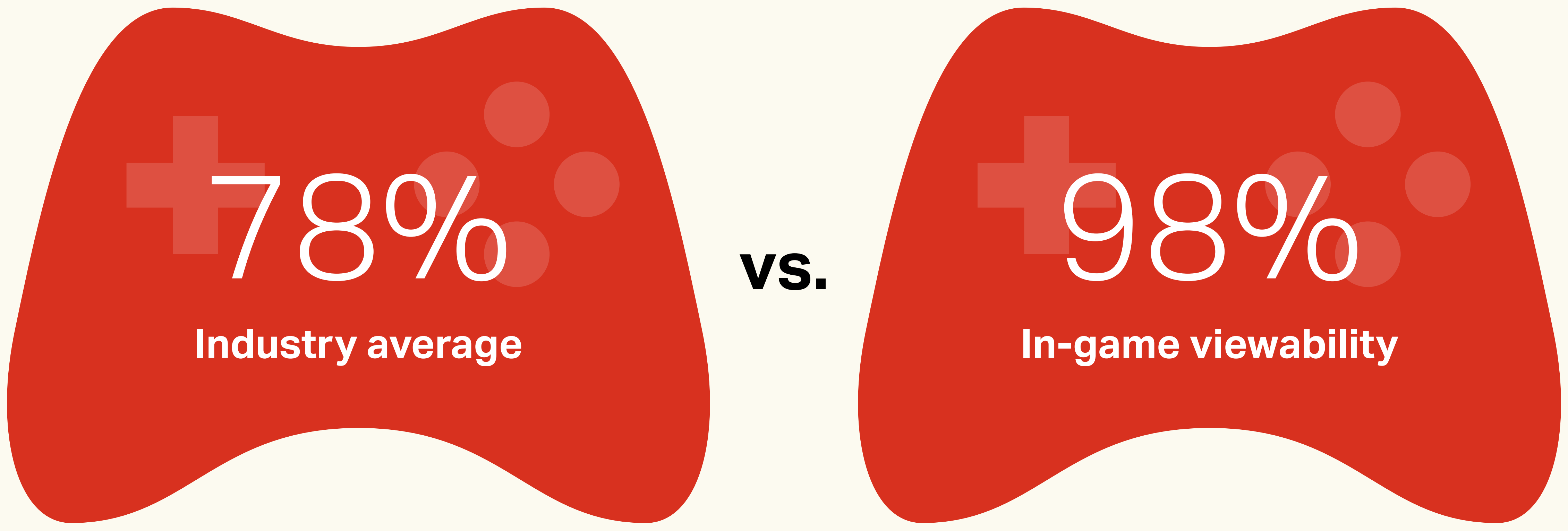
With ad blocking on the rise again, and over 85% of digital ads failing to reach the "attention threshold" that is needed to make an enduring impact, gaming stands out as a channel with unusually high levels of engagement and attention.

According to the research, in-game advertising has above-average levels of viewability, with 85% of ad impressions actually viewed by consumers versus an average of 65% for other digital ad formats.

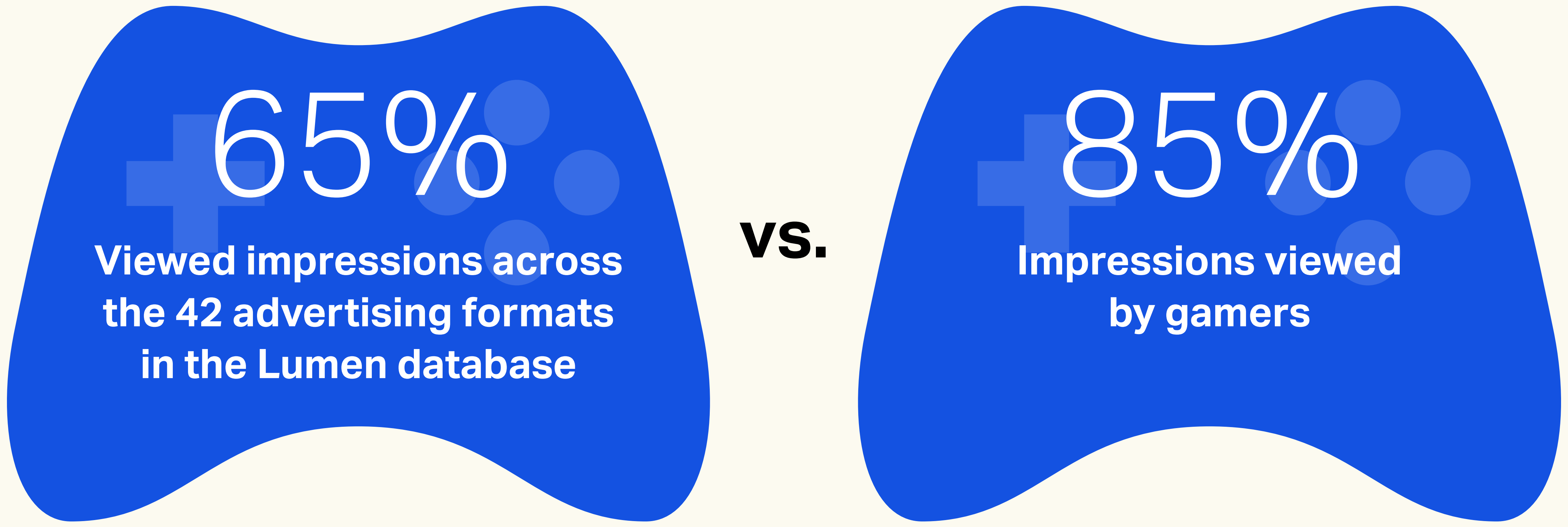
Lumen and Anzu found that in-game advertising commands gamers' attention for longer than any other digital advertising format other than YouTube, with 80% of Anzu's campaigns exceeding the 2-second threshold vs. 20% for standard digital formats. This translated into strong brand recall (41% average spontaneous brand recall) and purchase intent (7% point sales uplift).

Research by SuperAwesome has also shown that in-game content may inspire offline purchases. Two in five of the Gen Alpha and Gen Z audience they surveyed said they like to buy the same items as their avatars have in-game, with 85% of these purchases taking place in-person rather than online.

Gaming viewability versus average viewability score across 42 digital advertising formats



Impressions viewed by gamers versus average viewed impressions across 42 digital advertising formats



Source: Anzu and Lumen, Are you paying attention? How gaming sets a higher bar for advertising engagement, 2023

Expert **view**

In the advertising world, one of the most glaring omissions is that cross-media comparisons do not treat gaming as a mainstream media channel. When gaming is missing in mainstream reports comparing ad channels and comparing channel spend year over year, it depresses potential spending in a channel which consumers flock to, because when media planners pull reports to create their plans, gaming is often missing.

Cary Tilds
Chief Strategy and Operations Officer
Frameplay

Gaming has been a major player in the entertainment industry with a vast audience for more than a decade. As crossover with film and television continues and a more mature marketing ecosystem emerges, it's poised to truly breakthrough as a mainstream media and cultural touchpoint. With so much on the horizon for 2024, now is the time for brands to ensure that they are well placed to harness the opportunity.

Jamie Lyons
Managing Partner, Gaming and Virtual Experience
PHD, Omnicom Media Group UK

Takeaways

1

Gaming can enable brands to connect with hard-to-reach audiences

The sheer diversity of the gaming audience means it may make sense for a large number of brands – not just those targeting young people – to explore gaming as a marketing channel. This could include engaging with specific influencers to do brand promotions; experimenting with in-game advertising formats; or exploring the culture that sits 'around' gaming, on platforms like YouTube and Twitch, or via different gaming publishers and news sites.

2

Authenticity and integration are key to successful in-game advertising

Brands that choose to invest in in-game advertising should spend adequate time researching gaming communities, with a focus on creating non-disruptive content that integrates seamlessly with the gaming environment, and, where appropriate, offers some kind of value exchange for the audience's attention and engagement.

3

In-game advertising can drive very high levels of attention and engagement

In-game adverts appear to hold a number of advantages over other digital ad formats. Brands should continue to experiment with in-game advertising to explore the unique benefits of this channel, with a particular focus on the role of in-game advertising in driving tangible business outcomes, and the potential synergies between gaming and other channels.

Contact us

David Tiltman
SVP Content
WARC

Aditya Kishore
Insight Director
WARC

Paul Stringer
Managing Editor,
Research & Insights
WARC

Alex Brownsell
Head of Content
WARC Media

London

33 Kingsway
London, WC2B 6UF
United Kingdom
e: enquiries@warc.com

New York

Suite 638, 6th Floor
666 Third Ave, New York, 10017
United States
e: americas@warc.com

Singapore

WeWork
71 Robinson Rd, 068895
Singapore
e: asiapacific@warc.com

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  Analysis of the major macro forces shaping 2024, and the implications on marketers

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