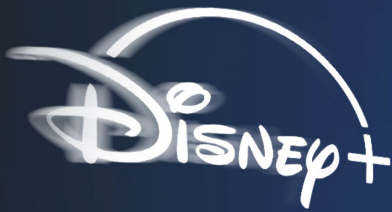
rain the growth agency

No. 52 | February 27, 2024



MEDIA IMPACT REPORT

Will a New Sports Streaming Powerhouse Be a Game Changer for Advertisers?

Also in this issue:

The Timeless Relationship Between Brand Building and Sales

/UPDATES

Disney, Fox, and Warner Bros. Discovery Create a New Sports Streaming Powerhouse. Will it be a Game Changer?

By Mark Brown, Chief Investment Officer

In early February, three of the largest traditional media companies announced a joint venture to launch a new sports streaming app. There is still much we don't know about the new service, but one thing is certain: it will shake up the linear and streaming marketplace for both consumers and advertisers alike. Disney, Fox, and Warner Bros. Discovery own the rights to a significant share of sports programming including all four major professional sports leagues (NFL, NBA, MLB, and NHL), college sports (NCAA plus individual conferences like the Big Ten and SEC), women's sports (including the WNBA and NWSL) and an assortment of other sports from FIFA World Cup, Golf, Tennis, NASCAR, and even cornhole. By any measure this is a very big deal.

However, there is so much we don't know yet.

When will it launch? "Fall 2024." Given that period contains the biggest sports viewership of the year, we assume the goal will be to leverage those marquee properties (NFL, NCAA football, MLB playoffs) to drive initial sign-ups.

How much will it cost? According to their announcement, "details, including pricing, will be announced at a later date." The press has speculated everything from a low of $10 a month (wishful thinking) to high of $50 a month (more likely). Each of their partners have their own stand-alone services (Disney+, Hulu, ESPN+, Max) and "subscribers would also have the ability to bundle the product" with those services, presumably at a discount.

Will it be ad-supported? There is no mention of advertising in the announcement, but we should assume that there will be an ad-supported tier at a minimum since the entire streaming marketplace has moved that direction. Even if there is an ad-free subscription, the cost will likely be prohibitive since streamers earn higher average revenue per user (ARPU) with a lower cost, ad-supported subscription model.

What will it be called? No hints at this time, but we'd be willing to bet that it will contain "+" in the name.

Why is this happening now? From a consumer standpoint, there is growing frustration among sports fans that streaming doesn't work for them. There's no single streaming destination to watch live sports and much of it is still more easily accessed on linear TV. Unfortunately, this service does not solve that issue. The joint venture has stated that NBC Universal and Paramount are not invited to the game, and those networks own rights to some major sporting events including NFL, NCAA football and basketball, the Olympics, golf, tennis, and more. So, this is not the "one sports app to rule them all."

From an advertising perspective, this service is a game changer. Currently, buying live streaming sports is as big a frustration for advertisers as watching them is for consumers. By creating a stand-alone service with some of the most desirable content consolidated in a single place, this may get a whole lot easier. And as live sports on linear TV continues to age up (the average age of viewers of most of the top professional leagues are over 50 years old), this streamer may attract a younger and harder to reach audience that is desirable to many marketers.

How will the inventory be priced and sold? Previously, in demand streaming services hit the market with excessively high CPMs and little targeting flexibility. We all remember HBO Max and Disney+ asking for high double digit introductory CPMs for run of network inventory.

Hopefully, the market has matured enough—and sellers have learned enough—that we won't see the same approach from this new joint venture. With Disney and Warner Bros. as stakeholders, we can hope that they've learned from those earlier mistakes. That said, live sports commands a premium on linear TV, so don't expect to see bargain pricing for top-tier programming like the NFL or NBA. On the positive side, more available inventory supply on streaming will put downward pressure on CPMs across the market, and that's always good news for advertisers.

It is still unclear how that inventory will be sold. The joint venture is owned equally by all three partners, but revenue is expected to be shared based on the subscription fees their individual properties bring to the service. Disney—with ESPN and ABC Sports—is bringing much more to the party than Warner Bros. or Fox. The joint venture will be managed independently of the three owners—much like Hulu when it was launched—so it may have a dedicated sales team, like Hulu. That's not guaranteed, though, and it is possible that each individual company could sell its own inventory or package sales with linear sports buys.

Finally, it is unclear how this new venture might impact future sports rights negotiations. Disney just wrapped up a massive eight-year, $920 million deal with the NCAA that includes both men's and women's basketball, including the NCAA women's March Madness tournament. That deal came only weeks before the streaming partnership was announced, so Disney knew where this content was heading even if they didn't communicate that to the NCAA. The next big rights negotiation on the horizon is the NBA, whose rights currently reside with Disney and Warner Bros. Word has it that none of the leagues were given advance notice about the new streaming service, and they aren't happy about that. Will the NBA be more inclined to continue working with Disney and Warner Bros. knowing their games will land on this new streaming service, or less? We will see when the contract expires at the end of the 2024-2025 season.

In the end, this new streaming sports service will be beneficial for sports fans and advertisers alike. More choice and more premium inventory are always welcome news. It may not mean "game over" for linear sports, but it is definitely "game on."

/QUICK HITS

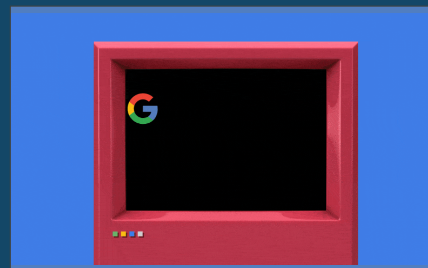
Nielsen expands OOH viewing measure, sports tv benefit
[MediaPost]

Ideal TV Ad Experience According to US Connected TV (CTV) Viewers, Jan 2023
% of respondents

Ads that are funny	67%
Ads that are to-the-point	61%
Ads that feature good music/a catchy jingle	59%
Ads that immediately tell you what brand they're for	55%
Ads that tell a story	54%

Note: among those with positive brand impact
Source: Publicis and Yahoo, "Attracting Attention: Optimizing CTV Advertising Engagement," March 21, 2023
282063 Insider Intelligence | eMarketer

Super Bowl ads: hits and misses included a blend of nostalgia, humor, and celebrity overload
[eMarketer]



Google's wrangling of third-party cookies is getting lost in transition
[Digiday]

/BRIEFING ROOM

Ten Years Later, "The Long and Short of It" Research Still Rings True Today

By Mark Brown, Chief Investment Officer

In 2007, two British marketing experts—Les Binet, Head of Effectiveness at adam&eveDDB, and Peter Field, marketing consultant for the International Practitioners of Advertising—released a landmark study to better explain the effectiveness of advertising during a time in the industry being led by the burgeoning digital media marketplace. "Marketing in the Era of Accountability" was groundbreaking research that established the difference between emotional and rational campaigns and their impact on marketing effectiveness. Binet and Field followed up that work with an even more in-depth study in 2013 that analyzed almost 1,000 advertising effectiveness case studies spanning 700 brands and over 30 years of data. The result was their seminal work, "The Long and Short of It: Balancing the Short and Long-Term Effects of Marketing."

Their book used a wealth of data to support a premise that many marketers have long held: the key to advertising effectiveness is a balance of short-term (promotional) and longer-term (brand) marketing efforts. In fact, Rain the Growth Agency's entire agency positioning is based on that belief, something we call Transactional Brand Building. Binet and Field took the premise one step further, quantifying the appropriate mix of each and showing that marketers who invest 60% of their efforts in brand marketing and 40% in activation delivered the best long-term sales growth. Skeptics might argue that the digital media landscape wasn't as ubiquitous or advanced ten years ago as it is today, but Binet and Field published updates in 2017 and 2018 and determined that the "sweet spot" had increased to 62% brand and 38% promotion.

Delivering Lasting Emotional Impact

One of the interesting findings of the book (along with the follow-up reports) was the importance of television. In all the cases of proven ad effectiveness, the marketers integrated linear TV to some degree, because it delivers emotional impact. As Binet wrote, "In the long run, emotion is where the big profits lie..."

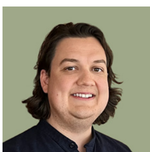
because they impact both consumers' willingness to purchase and the price they are willing to pay. The research also showed that the impact of emotional advertising lasted longer, while the impact of promotional, or rational, advertising was fleeting.

Practicing successful Transactional Brand Building also requires patience. While promotional advertising's impact is short-lived, it is also more immediate. Emotional advertising takes time to influence behavior and perception, but once it does, it delivers longer-term impact that makes promotional marketing more effective. It also requires a holistic view of measurement. The authors warn of an over-reliance on short-term metrics, since they don't predict long-term success.

Just as your marketing should contain a mix of brand and promotional media and messaging, your measurement plan should include a mix of transaction and brand health data. We recommend optimizing your promotional campaigns to deliver optimal sales while complementing that with long-term brand health metrics like consideration and favorability.

I hope that Binet and Field are proud to know that their research remains as relevant today as it was a decade ago, and that here at Rain the Growth Agency we remain staunch defenders of "The Long and the Short of It" with our Transactional Brand Building approach.

Need More Guidance?



Steve Miller
Client Development Director
steve.miller@rainforgrowth.com

Robin Cohen
EVP, Integrated Media Investment & Planning
robin.cohen@rainforgrowth.com

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