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MEDIA IMPACT REPORT

TikTok at a Crossroads: The Latest Developments and What It Could Mean for Advertisers

Also in this issue:

Q2 Linear TV Marketplace Summary

Our Cookless Future: Navigating the Transition and Preparing for New Challenges

/BRIEFING ROOM

TikTok at a Crossroads: The Latest Developments and What It Could Mean for Advertisers

By Shatesha Scales, Supervisor, Paid Social, and Shuree Jones, Group Director, Paid Social & Influencer Media

What Happened

After months of speculation, President Joe Biden officially signed a bill on April 23 that puts TikTok's future on the line. TikTok's parent company, ByteDance, is now pressured to either sell off its U.S. operations within a year—with a potential 3-month grace period—or face a ban. This legislative step highlights growing concerns over national security tied to the app's connections with China through ByteDance.

Why This Is a Big Deal

The implications are monumental—not just for TikTok, but for the tech world at large. With over 170 million U.S. users and 7 million business owners, TikTok is a major player in the social media scene, and its potential removal shakes the very foundation of digital free expression and international tech relations.

It's also the leading platform for news with adults and younger generation. Based on a study released last November by the Pew Research Center, 14% of adults get their news on TikTok (up from 3% in 2020), and about one-third of U.S. adults under 30 regularly get news from TikTok.

The Core Issues at Stake

First Amendment Challenges:
TikTok isn't going down without a fight. TikTok CEO Shou Chew said the company is gearing up to challenge the bill, claiming it infringes on the First Amendment rights of both TikTok itself and its users. The argument? TikTok claims that the U.S. government unfairly restricts access to an important platform for expression and information. While TikTok emphasizes it has the "facts and the constitution on our side," this argument is complicated since courts often defer to the government on national security issues, suggesting a tough battle ahead for TikTok.

Complications with Chinese Regulations:
Any potential sale of TikTok hinges not just on finding a willing buyer but also on navigating the tricky waters of Chinese export laws, particularly around the technology that powers TikTok's addictive algorithm. TikTok has said it does not plan to sell, so without the ability to include this tech, the value of what TikTok can offer to a buyer diminishes significantly.

International Relations and Business Implications:
The standoff doesn't stop at corporate sales and legal arguments. This move by the U.S. could strain relations with China, potentially leading to retaliatory measures against American businesses. The tension highlights the complex interplay between international diplomacy and business interests in the global tech arena.

What's Next for TikTok?

As the clock ticks down, ByteDance must weigh its options carefully, and the question remains. Will it fight the legislation to the end or start the search for a buyer?

While TikTok makes its case in court, users and businesses can still access the app. TikTok promises to keep investing in innovating on the platform in the meantime. "Through our U.S. data security efforts, we have built safeguards that no other peer company has made. We have invested billions of dollars to secure your data and to keep our platform free from outside manipulation."

Summing It Up

TikTok is at a crucial crossroads, facing not only legal challenges within the U.S. but also potential conflicts with Chinese authorities and significant impacts on global tech policy. How this saga unfolds could reshape the landscape of international tech and trade, setting precedents for how companies with foreign ties are treated under U.S. law.

What this Means for Brands

If the U.S. does in fact ban TikTok 9-12 months from now, brands active on the platform will lose a rapidly growing avenue to communicate with 170 million monthly TikTok users. The platform has become critical in targeting Gen Z, a group on the forefront of trends and for whom authenticity is paramount. The opportunity for brands to step into cultural moments—or create them—has expanded with TikTok, where other short-form video social platforms have struggled to pull user attention.

Our Advice to Advertisers

Don't panic: Like the Twitter rebranding before it, the TikTok ban is at the forefront of the news cycle. However, users on the platform are still active, still watching, and still buying - so brands are still spending. Advertisers should keep a watchful eye on the developing story, but shouldn't rush to pull dollars out of TikTok just yet.

Diversify, diversify, diversify: Most social media users have a favorite platform, but rarely does anyone use only one. Advertisers should aim for a media mix that finds their target consumer on multiple platforms, and tailor advertising to that platform. Small tweaks in strategy and content can extend a plan across platforms.

Lean into learning: There is no doubt that TikTok's unique approach to short-form video, as well as its hyper-aware algorithm, are keys to unlocking consumer attention. The rise of Instagram Reels, YouTube Shorts, and even Snapchat Spotlights provide advertisers other ways in with similar short-form avenues. While advertisers should treat each platform differently depending on audience consumption habits, there is plenty to be learned from any current TikTok plan. Identifying what works now on TikTok, then modifying and testing it within other social platforms, is a worthy step to extend past a potential ban.

/UPDATES

Q2 Linear TV Marketplace Summary

By Susan Rupert, VP, Media, and Kati Dunn, Media Planner

Competitive Marketplace Continues into Q2

As previously reported last quarter in ***Media Impact Report No. 53,*** the linear TV marketplace remained tight in April and continues into May. The majority of cable network groups have indicated there is reduced direct response (DR) inventory available in Q2 compared to Q1 primarily due to general advertisers making larger commitments in Q2 than in Q1. With less inventory available to DR advertisers and demand for time remaining high, rates will continue to be competitive.

Several networks have commented that the marketplace is not as opportunistic as we saw at the beginning of this year. Syndication still has weekly availability, although some shows that had inventory in Q1 are sold out for Q2. Broadcast network avails vary week-to-week, with limited opportunities in the first part of April. The number of advertisers in the market continues to be high. Networks indicated that the majority of advertisers did not pull back heading into April, instead many increased spending for the new quarter.

As we head into June, there are no signs of the marketplace loosening up anytime soon. Currently, networks are projecting the market will remain competitive; however, several have indicated inventory levels and demand may change but it is still too early to be certain. ADUs (audience delivery units) may impact avails in June–networks have indicated that it is already challenging to find available inventory to offer as ADUs to make sure guaranteed deals are achieving the impressions promised.

Despite the competitive nature of the market, we are still seeing handfuls of opportunities each week across broadcast networks and syndication. However, the specific programs and number of avails vary greatly from week to week.

Our Buyers' Read on the Quarter

As you've gathered, the media marketplace is a very competitive environment, but there are still areas that have pockets of inventory available. Weekly avails in broadcast networks across multiple dayparts, as well as syndication, are available. However, the programming varies weekly, as does the quantity of avails for each show. National cable networks indicate that they have higher general scatter spend in Q2 versus Q1, which impacts how much inventory is available in the DR space. Overall, prime and weekend dayparts have the least amount of inventory. Many networks indicate that there are opportunities in the early fringe and late fringe, but the majority of networks indicate deeply discounted, opportunistic media is few and far between. For clients interested in high profile sports, there are still deals to be had. We've continued to see avails in high profile events, most recently the NBA Eastern Conference Finals. There is still good inventory coming our way even with a tightening marketplace. Having a game plan established for jumping on these larger opportunities is key.

Where Things Could Remain Flat or Tighten Up

Given this year is an election year, we continue to see strong viewership and demand for time across the news properties. In news, we've seen increased demand and pre-emptions over the last month, and rates have been steadily increasing. Clients who are heavily invested in news should re-evaluate if they need to make any adjustments to their schedules to maintain overall news clearance levels. Political spending itself is not ramped up just yet; however, networks are anticipating that investment will begin in Q3 and carry into Q4–this is across news, as well as entertainment-based networks..

Who's In, Who's Out?

Pharmaceuticals (bipolar, allergy season), home improvement and lawn care are spending as they typically do this time of year. In addition, other top-spending categories include financial (including tax services through mid-April), travel, and automotive. Several networks have mentioned that advertisers across both general and DR increased budgets going into Q2.

2024 Factors

Multiple elements to watch throughout the year that may impact the marketplace:

- Return of original, scripted programming
- Political election season
- Summer Olympics (7/26-8/11)
- Overall changes to the macroeconomic climate

What Gives?

Supply and demand are creating a competitive Q2 marketplace. With many networks having less inventory to sell in both the DR and scatter markets combined with the large number of advertisers remaining in-market, the demand for less time is creating an environment where we see higher rates and less inventory to choose from.

What to Do and What are Other Clients Doing?

Remain Flexible & Nimble: Establish monthly or quarterly budget goals early, optimize weekly, book quarterly and in advance, layer on standing offers, and traffic creative to "plan B" stations/networks for last-minute inventory.

Front Load and Consider Scatter Market Deals: Given the upcoming headwinds with elections and the Olympics, clients that can spend now should try to get ahead of their sales goals. For clients that need to spend on some coveted stations/networks, we can explore quarterly scatter market deals (most will come at a premium).

Spanish Language Creative and Media: There are 64.9M Hispanics in the U.S. 42% watch cable TV. 72% over the age of 5 are English proficient. Media is low cost. English-speaking spots can run on Hispanic stations. Spots can be dubbed in Spanish for an initial test where needed.

Syndication and Closed-Captioning: Expand reach. Weekly game and judge shows that do well can be purchased weekly at firesale rates. There are 20-second closed captioning opportunities on Wheel of Fortune and Jeopardy.

Test Different Spot Lengths: Marry spots together to create different tape lengths (i.e. back-to-back: 30's to create a :60). Available lengths are :15, :20, :30, :60, :120, 3-minute, 5-minute, and 28:30.

Build Content Arsenal & Offer Testing: Build a content library. Leverage existing assets as well as new footage to develop new spots. Create a promo calendar and test new offers.

Opportunistic & Guaranteed Media: Provide team with guardrails for taking firesales so they can react quickly. They can also be leveraged as Guaranteed Media (Phone Leads, CPM, Spike Volume, etc).

/NOTEPAD

Our Cookless Future: Navigating the Transition and Preparing for New Challenges

By Andi Parel, Associate Director

The digital advertising landscape is on the cusp of a major transformation as third-party cookies are phased out. This shift, fueled by growing privacy concerns and new regulations, presents both significant challenges and exciting opportunities for businesses. To successfully navigate this transition, it's important to understand the current situation, how different companies are preparing, the hurdles they're encountering, and the advanced insights helping shape their strategies.

The timeline for phasing out third-party cookies has been pushed to 2025, giving businesses a bit more time to adapt. Despite this extension, the urgency is still there, as both browsers and organizations continue to push for more privacy-focused solutions. Google Chrome, the most popular browser, is leading the way with its Privacy Sandbox initiative, which aims to create privacy-preserving alternatives for tracking and ad targeting. Meanwhile, other browsers like Safari and Firefox have already rolled out strict measures against third-party cookies.

Companies are taking various steps to get ready for this big shift. A lot of them are putting their efforts into collecting and using first-party data, which they gather directly from users through interactions on their websites or apps. This data is valuable for personalized marketing and customer insights. Major players like Amazon and Facebook are beefing up their first-party data systems to keep their edge in advertising. Companies are also investing in new technologies to protect user privacy, like Federated Learning of Co-horts (FLoC). These aim to target ads effectively while keeping users anonymous. For example, Google's FLoC groups users with similar browsing habits, helping to keep individual data private.

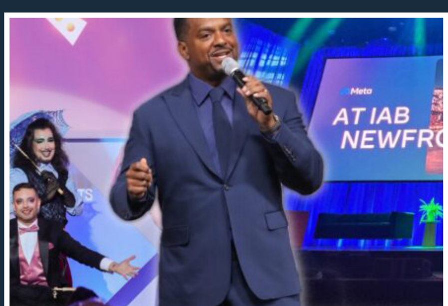
Companies are working hard to ensure users know how their data is used and agree to it. They are improving their systems to follow rules like GDPR and CCPA. This approach not only builds trust with users but also improves the quality of the data they collect. Additionally, businesses are looking into alternative identifiers, like Unified ID 2.0, which use encrypted email addresses to track users across the web while respecting privacy rules. These solutions are considered viable replacements for third-party cookies, striking a balance between protecting user privacy and enabling effective ad targeting.

Despite their preparations, companies still face several challenges in this transition. Data silos and integration issues are major hurdles. Combining data from various sources into a unified strategy requires strong data management. Measuring marketing efforts without third-party cookies is also tough. Companies are trying out new models to see what works. Balancing personalized ads with a good user experience is tricky too. Too much data collection can be intrusive, while too little can make ads irrelevant. Plus, keeping up with changing privacy laws adds more complexity, requiring ongoing investments in legal and compliance efforts.

Based on advanced insights and industry practices, businesses can take a few strategic steps. Teaming up in industry partnerships to share data can help break down data silos and improve insights. Using AI and machine learning for predictive analytics can make better use of first-party data by spotting patterns and trends that aren't obvious, leading to more effective marketing. Focusing on contextual advertising, which targets users based on the content they're currently viewing rather than their past behavior, can be a powerful alternative. This method aligns well with privacy norms and can lead to more relevant ads.

The transition to a cookieless future is both a challenge and an opportunity for businesses. By staying informed about the latest developments, adopting innovative strategies, and focusing on user privacy and data quality, companies can not only navigate this transition smoothly but also gain a competitive edge. As the industry continues to experiment and adapt, staying agile and proactive will be key to thriving in the cookieless era.

/QUICK HITS



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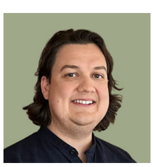

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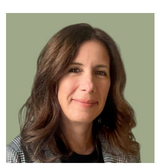

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