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2023 Media Ad Sales Trend Report

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Welcome to the 2023 Media Ad Sales Trend (MAST) report! The past few years have been tumultuous to say the least. At the macro level, the pandemic, recovery, and continuing economic uncertainty have all contributed to the industry's performance. At the micro level, publisher consolidation, the growth of new formats like podcasts, an increased focus on how to leverage automation/AI, and the never-ending question of when third-party cookies will finally be sunset still loom large.

This report shares insights and trends from 2022 and the first half of 2023. We hope you will find this report useful in three ways:

- Understanding key trends driving revenue activity;
- Setting benchmarks for your own business; and
- Providing recommendations to help you combat the headwinds.

At Boostr, we have a front-row seat to these trends given our central role in helping hundreds of digital media companies succeed through our CRM, OMS and proposal recommendation engine, Proposal-IQ. The analysis in the pages that follow refers to direct-sold channels, and excludes open exchange/RTB programmatic revenues. In this way, we can paint a clearer picture of what's actually happening at the front lines of the world's media companies, large and small.

What did we see? Read on to see the four key findings.

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Key Findings

KEY FINDING 1

The digital advertising bear market: Are we at the bottom yet?

We're now 18 months into an advertising bear market. Growth rates are roughly flat this year, with some cohorts slightly increasing or declining year over year (YoY). Most industry groups forecast low single-digit market growth for 2023. However, there's optimism for 2024, when we will have a presidential election cycle, the Summer Olympic Games, and, hopefully, the start of declining interest rates. This trifecta might be enough to jumpstart higher growth rates in the industry and reflect a broader macroeconomic improvement.

KEY FINDING 2

Deal volume has declined

Key elements of the ad business have been declining. Most notably, the average Net Revenue Retention (NRR) rate has been below 50% for the first two quarters of the year. This has pressured media companies to find new brands and logos just to keep revenue roughly flat YoY. In addition, the volume of deals and RFPs have declined, as have deal sizes, and Q2 saw very quick cycle times to close business. Forecasting revenue in the first half of 2023 must have been extremely challenging.

KEY FINDING 3

Bundling provides a glimmer of hope

Companies able to execute bundling strategies such as full-funnel solutions or cross-selling enjoyed higher growth rates. In the first half of 2023, the top quartile of growers saw 52% of their deals have three or more products, and 42% of deals had six or more products. Developing a strategy for the second half of 2023 and into 2024 should be one of the top three priorities for CROs and Revenue Operations leaders.

KEY FINDING 4

A few categories drive the industry

The Auto category finally made a comeback after being largely absent for the last 12 months; in the first half of 2023, it led the pack with an 87% increase YoY. After that, most growing categories were only up 5% to 20%. Declining categories posted significant reductions in spending for the first half of the year, mostly in the double digits, such as CPG (-42%) and Financial Services & Insurance (-51%).

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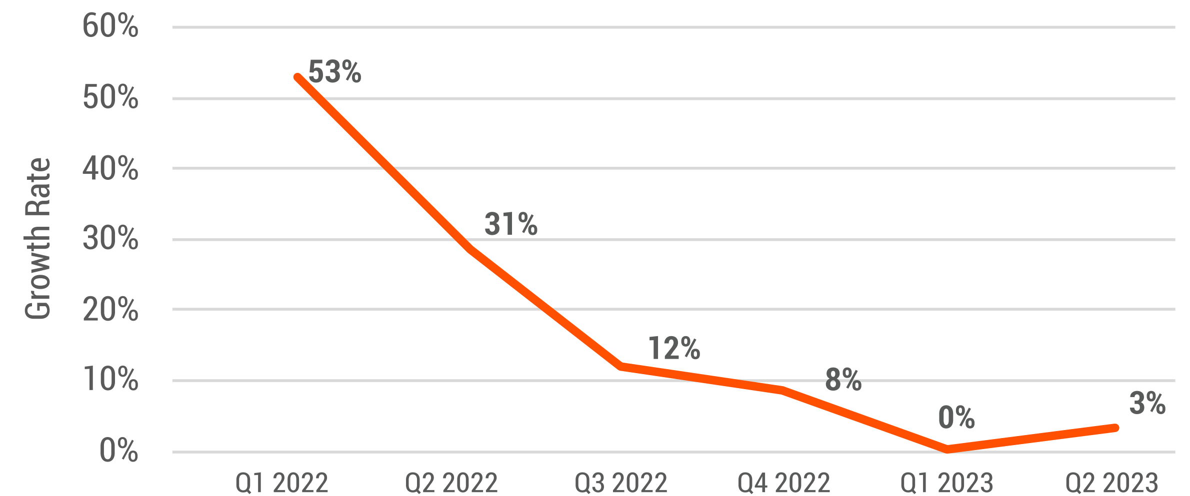
Growth: Are we at the bottom yet?

Media companies, especially digital publishers, were coming off a banner year in 2021 with much to be excited about. After several challenging years, digital media roared back in 2021 with an average growth rate of 49%. In addition, 75% of digital media companies surpassed their 2019 pre-COVID-19 revenue levels, signaling a significant increase in advertising dollars shifting to digital channels.

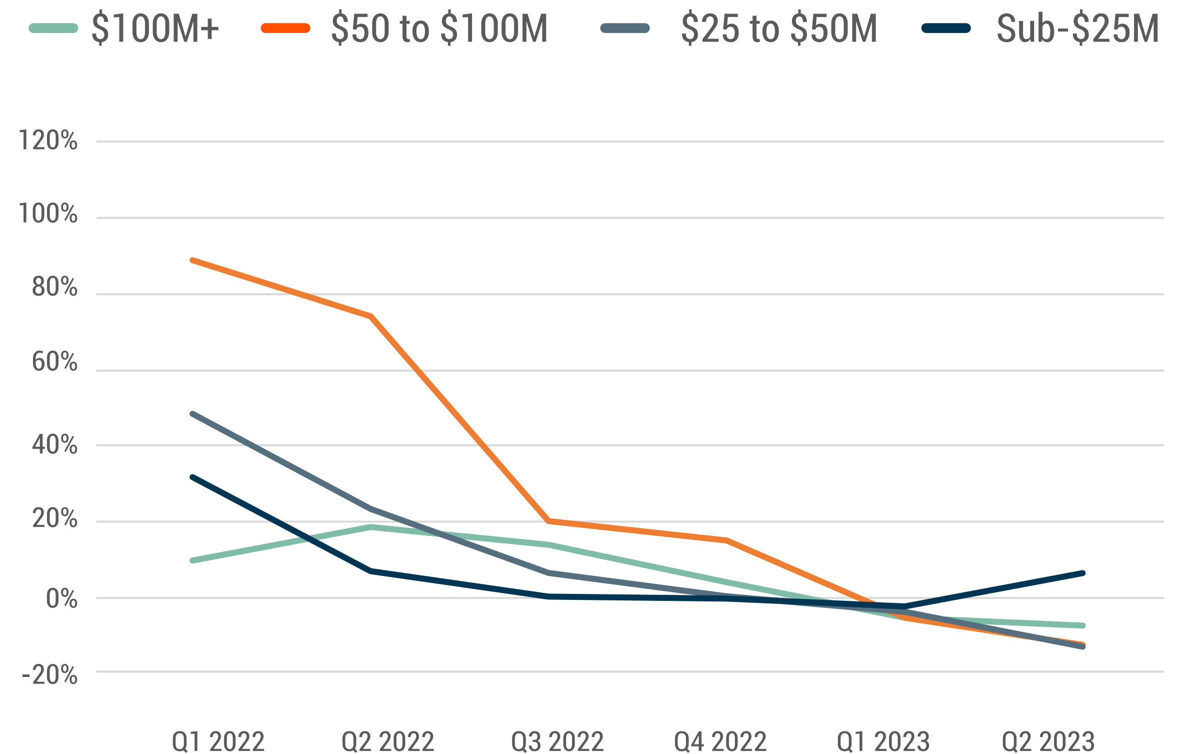
There was much optimism in early 2022—and with good reason: Ad spending continued to increase YoY with an overall average growth rate of 53% in Q1. Then the party stopped. The average growth rates started to quickly slow each sequential quarter, diminishing to flat in Q4. Numerous factors created significant headwinds for the industry, including a prolonged war in Ukraine, supply chain issues, chip shortages for the Auto sector, and rapid, uncontrollable inflation, to name a few. These issues led to a general "wait and see" mood among advertisers as they started to pause budgets. This cautious sentiment was evident in Q3 when not even a notable midterm election season could generate a significant YoY uptick.

Average Growth Rate by Quarter Year over Year



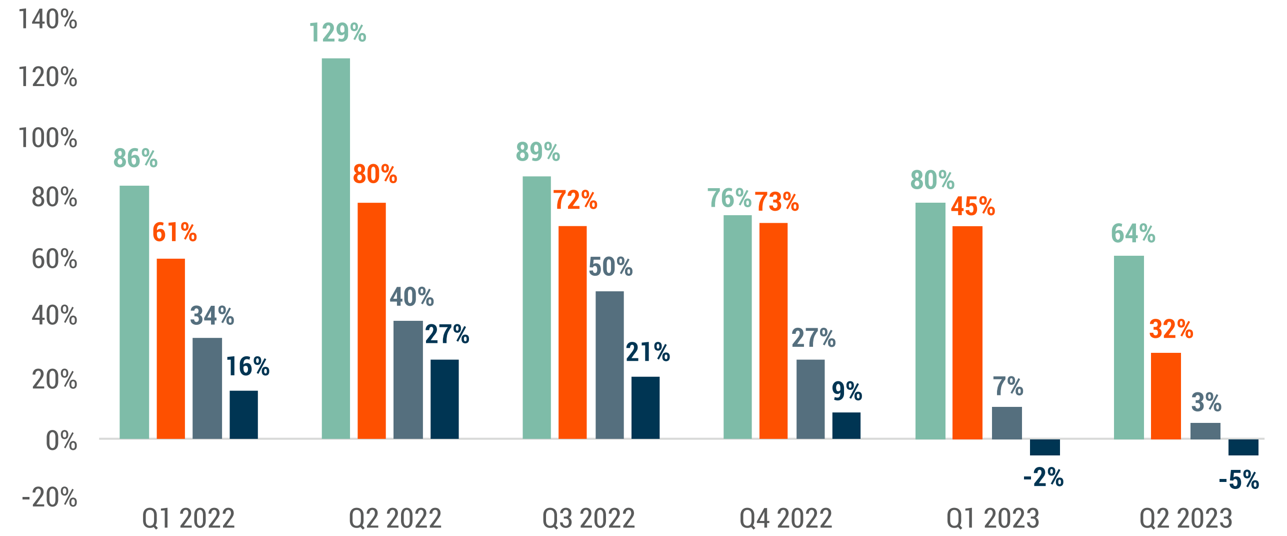
For 2023, Magna Global predicts a meager 4% growth rate for North America. And so far, that's pretty accurate, assuming a bigger second half. Growth is anemic so far this year. We're now 18 months into a media bear market, so the question is, "Are we at the bottom yet?" Without any macroeconomic changes, it's likely that growth rates will continue in the low single digits for the rest of the year. 2024 is primed for growth with the presidential election cycle, the likelihood of the Federal Reserve lowering rates, and hopefully, the end of the Ukraine war.

2023's first-half growth story becomes clearer by examining growth rates by company size. While it may seem intuitive to think that smaller media companies would have the highest growth due to their smaller base, that's what happened while everyone was down on average. For this report, we looked at four cohorts of media companies based on total annual revenue: $100M+, $50M-$100M, $25M-$50M, and sub-$25M.



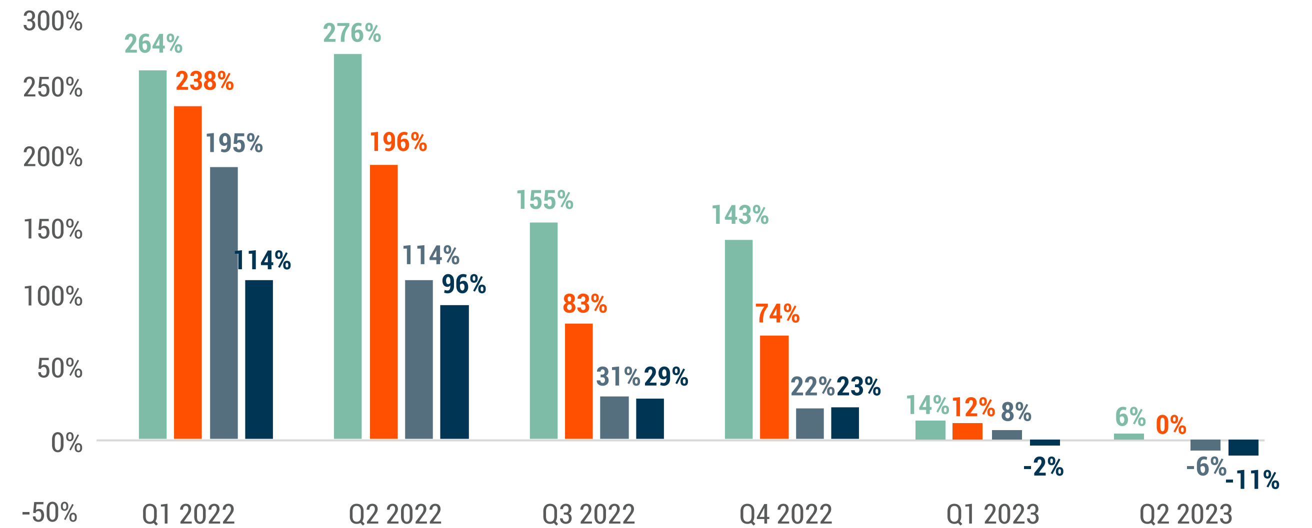
$100M+ Growth Rates by Quarter

Best in Class | 90th Percentile | 75th Percentile | Average



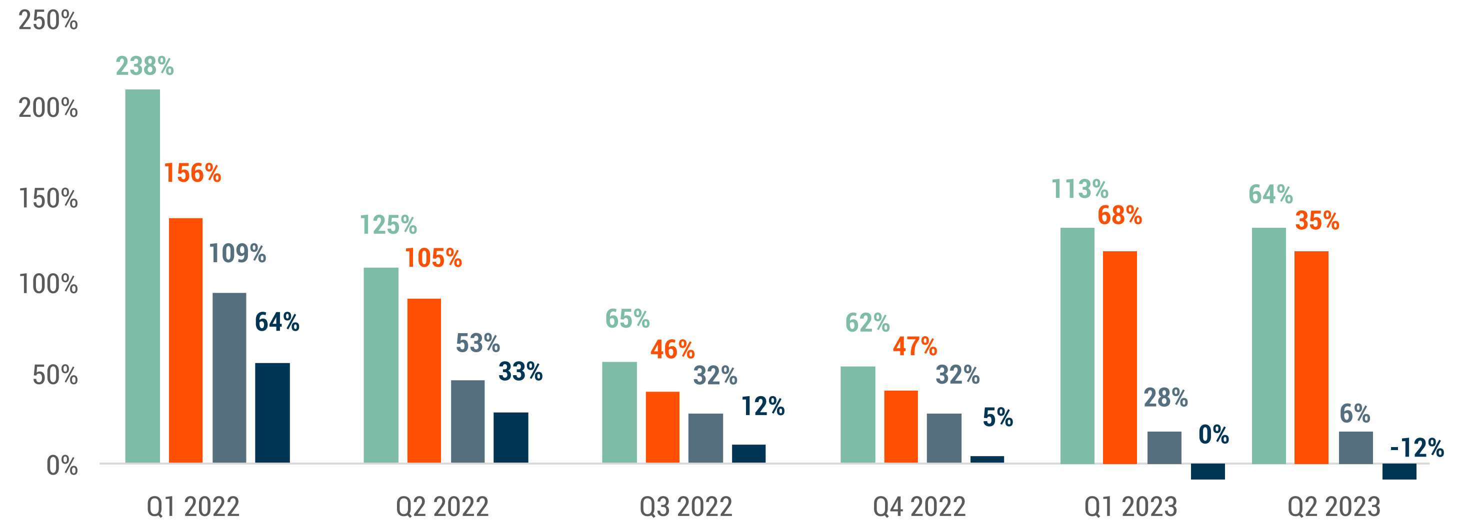
$50M-$100M Growth Rates by Quarter

Best in Class | 90th Percentile | 75th Percentile | Average



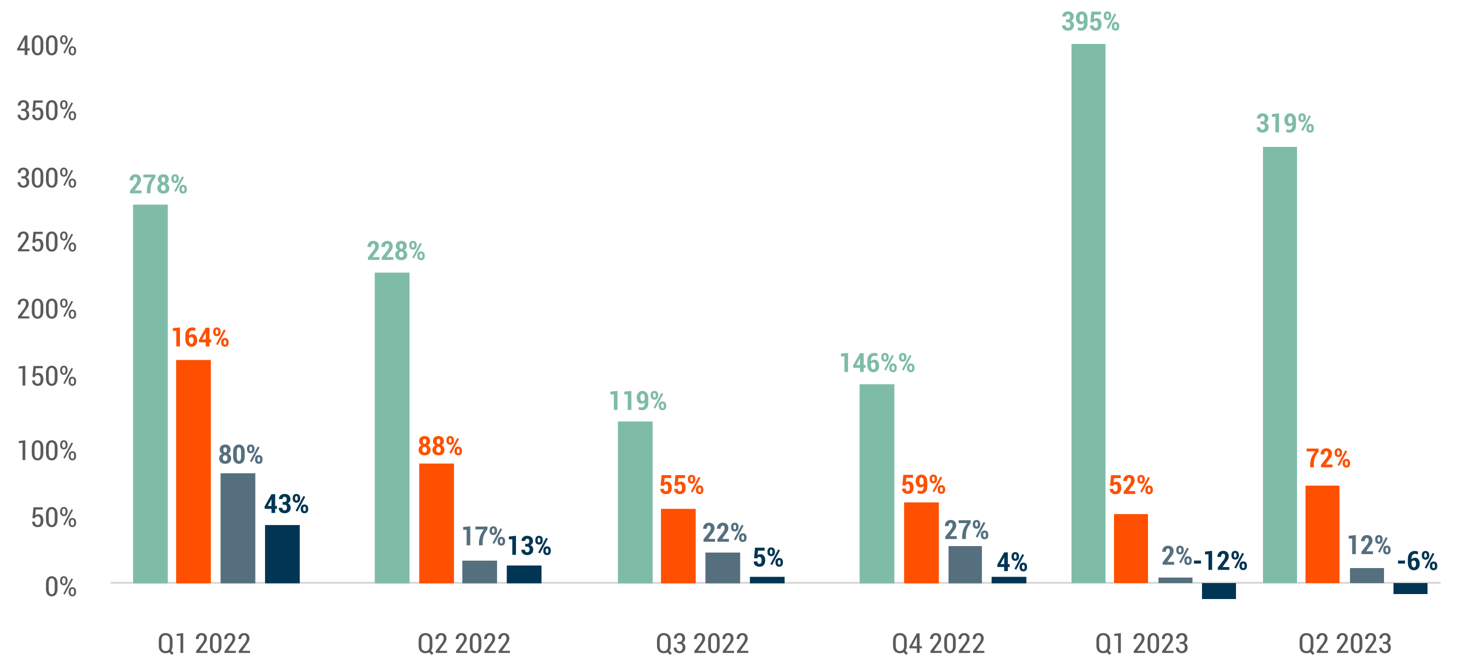
$25M-$50M Growth Rates by Quarter

Best in Class ■ 90th Percentile ■ 75th Percentile ■ Average



Sub-$25M Growth Rates by Quarter

Best in Class ■ 90th Percentile ■ 75th Percentile ■ Average



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NRR & Customer Retention

Last year in our "2022 Media Ad Sales - Pricing and Yield Trend Report," we introduced a new way for media companies to measure renewability and recurring revenue. Called NARR (Net Advertising Revenue Retention), the concept was well received. we're now calling it NRR, however, to be consistent with formal financial nomenclature. (Thanks, NARR. It was good while it lasted.)

What is NRR?

NRR is borrowed from the SaaS metric Net Revenue Retention (NRR) in that it measures how much revenue is retained from a cohort of customers. NRR provides a measure of renewability and reoccurrence of revenue. NRR compares a cohort's current trailing revenue to that same cohort's trailing revenue from the previous period. It includes spend expansion, contraction, and churn, providing a holistic view of retention.

NET REVENUE RETENTION (NRR)

$$\left[\frac{\text{sum (cohort's current period revenue)}}{\text{sum (cohort's previous period revenue)}}\right] * 100 = \text{NRR\%}$$

The beauty of NRR is when it's over 100%, the publisher's future growth has a firm base to build upon, similar to how compound interest works. For example, if a publisher aims to grow revenue by 25% and has a NRR of 105%, it only needs to find an incremental 20% in new revenue, as the existing clients are expected to provide 5% growth if that revenue is truly reoccurring.

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In SaaS, an NRR greater than 115% is deemed world-class. In media, without contractual commitments for recurring spend, it may take time to achieve that level consistently. In 2022, NRR levels decreased significantly from 2021, similar to how growth rates plunged during the year. In the first half of 2023, NRR rates further decelerated along with growth rates. The following NRR rates across companies of all sizes were observed this year:

	Q1	YoY	Q2	YoY
Best in Class	112%	-56%	119%	-96%
90th Percentile	76%	-19%	71%	-13%
75th Percentile	55%	-11%	60%	-8%
Average	43%	-10%	47%	0%

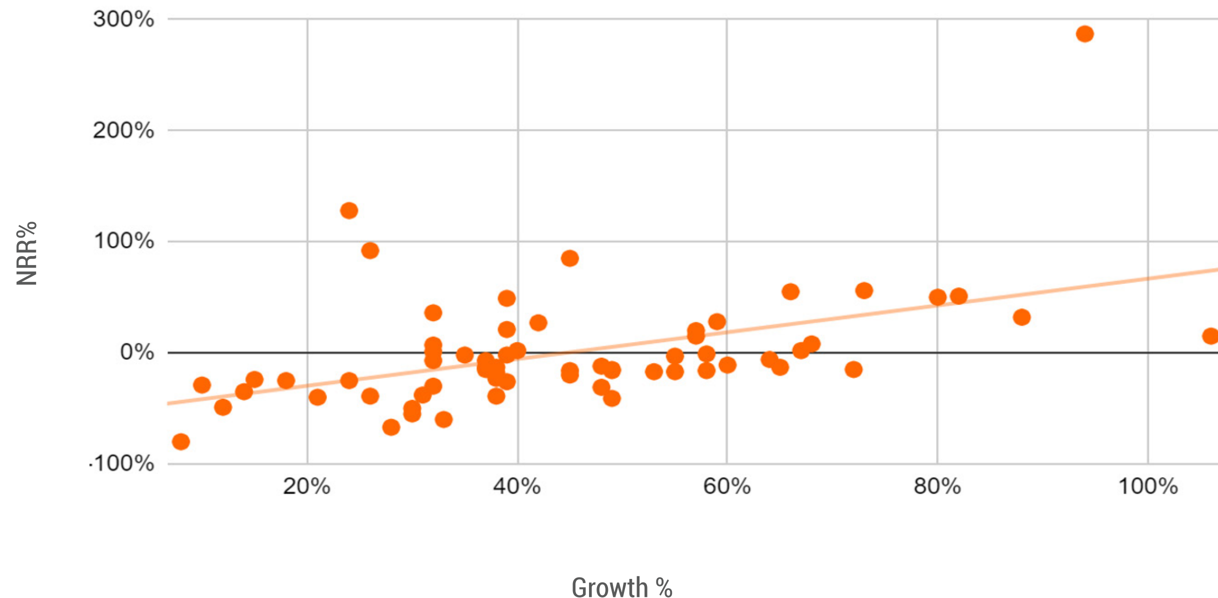
NRR rates declined further when company sizes are considered. For an in-depth review of 2021 vs. 2022 performance, see our Pricing & Yield Trend report.

In 2022 and 2021, there was a strong relationship between overall growth and NRR, which is intuitive. In high-growth periods, it's common for existing buyers to expand their budgets, sometimes very significantly. In lower- or negative-growth periods, those budgets tend to contract and/or churn, leading to a lower NRR. As previously mentioned, growth was flat in Q1 and inched up by 3% in Q2 This corresponds with a 43% average NRR in Q1 and a 47% average NRR in Q2, indicating slight expansion in budgets YoY. However, the overall correlation between growth and NRR was very weak in both quarters. That's to be expected as Q1 growth was roughly flat, and Q1 NRR was down before slightly rising by Q2. See table at left.

NRR vs. Growth (H1 2023)

Correlation Coefficient: 0.47

NRR Trendline for Growth



Since historically higher NRR translates to higher overall growth, media companies would be wise to measure and unpack NRR by segment and category to understand where there is opportunity for expansion, what is causing contraction and churn, and which strategies can be deployed to maximize overall retention. Running any business with an NRR below 50% implies that flat or even slight growth is the result from new logos and acquisition efforts.

Understanding the drivers and trends here is key, as this phenomenon has been evident since early 2022, when NRR started a rapid decline along with growth. Will the new logos from 2022 grow, contract, or churn their spend this year and into 2024? Can the churn and contractions in 2022 and 2023 be recouped, and when? Revenue Operations should be laser-focused on what's driving these numbers by account, product, and category to help Sales teams hit their targets.

The following tables provide insight into NRR by revenue size.

$100M+

NRR	FY	YoY	Q1-22	YoY	Q2-22	YoY	Q3-22	YoY	Q4-22	YoY	Q1-23	YoY	Q2-23	YoY
Best In Class	92%	-119%	93%	0%	81%	-82%	71%	-71%	72%	-40%	77%	-16%	82%	1%
90th Percentile	89%	-69%	87%	3%	78%	-60%	70%	-46%	71%	-22%	69%	-18%	73%	-5%
75th Percentile	81%	-22%	81%	9%	76%	-36%	68%	-18%	66%	-9%	57%	-24%	63%	-13%
Avg	75%	-36%	66%	-1%	63%	-35%	61%	-20%	54%	-17%	47%	-19%	51%	-12%

$50 - $100M

NRR	FY	YoY	Q1-22	YoY	Q2-22	YoY	Q3-22	YoY	Q4-22	YoY	Q1-23	YoY	Q2-23	YoY
Best In Class	144%	33%	282%	173%	149%	47%	146%	60%	111%	27%	77%	-205%	67%	-82%
90th Percentile	132%	23%	213%	114%	114%	18%	101%	16%	93%	11%	74%	-139%	64%	-50%
75th Percentile	106%	-1%	162%	77%	87%	0%	65%	-18%	76%	-3%	48%	-114%	63%	-24%
Avg	94%	0%	128%	61%	83%	10%	67%	-5%	64%	-5%	44%	-84%	49%	-34%

$25-$50M

NRR	FY	YoY	Q1	YoY	Q2	YoY	Q3	YoY	Q4	YoY	Q1-23	YoY	Q2-23	YoY
Best In Class	209%	72%	152%	66%	213%	99%	156%	37%	134%	24%	84%	-68%	90%	-123%
90th Percentile	103%	-3%	80%	2%	88%	-24%	87%	-2%	75%	-4%	75%	-5%	80%	-8%
75th Percentile	84%	-13%	65%	1%	81%	-12%	61%	-11%	57%	-8%	45%	-20%	48%	-33%
Avg	75%	-7%	56%	6%	64%	-4%	58%	-4%	52%	-4%	38%	-18%	44%	-20%

Sub-$25M

NRR	FY	YoY	Q1	YoY	Q2	YoY	Q3	YoY	Q4	YoY	Q1-23	YoY	Q2-23	YoY
Best In Class	129%	-4%	143%	-147%	83%	-177%	92%	-112%	106%	12%	112%	-31%	119%	36%
90th Percentile	89%	-13%	84%	12%	77%	-8%	67%	-23%	67%	-8%	69%	-15%	70%	-7%
75th Percentile	74%	-13%	55%	1%	54%	-8%	55%	-7%	57%	-4%	55%	-0%	58%	4%
Avg	60%	-16%	40%	-4%	39%	-23%	42%	-10%	41%	-5%	42%	-2%	45%	6%

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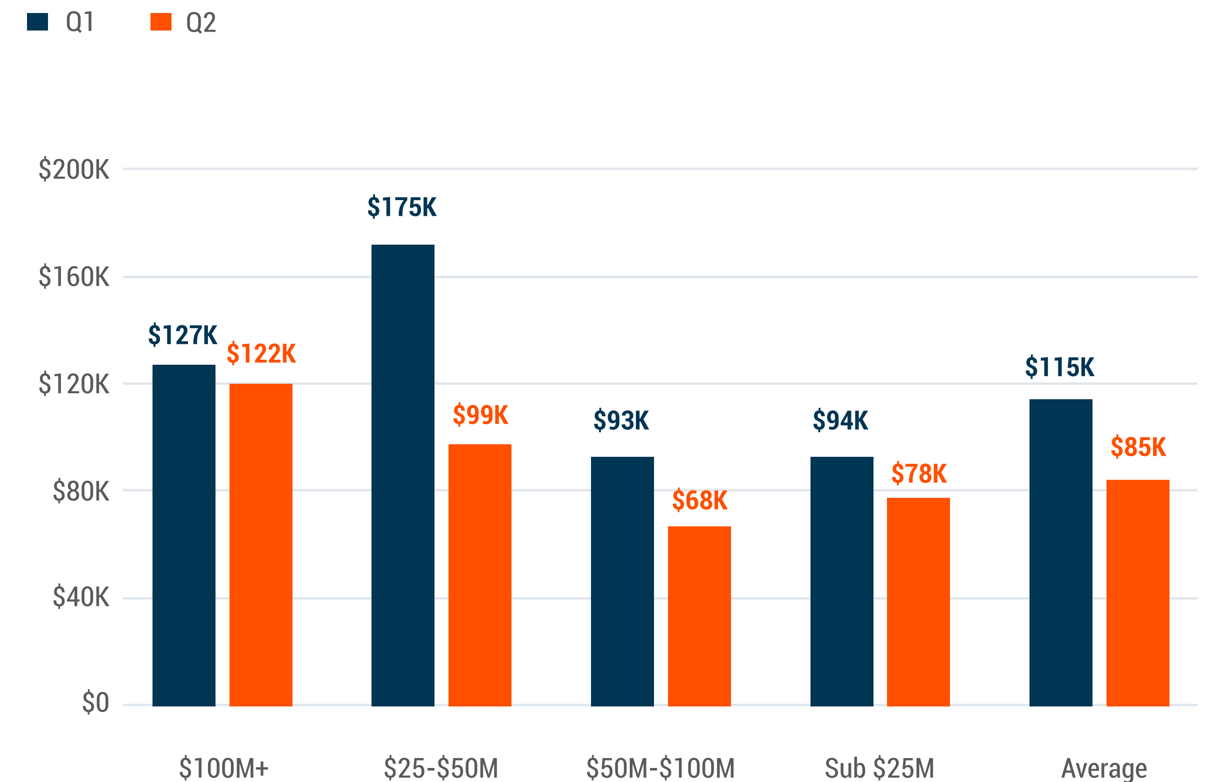
Deal volume, size, and lead time decline

Behind every good media company beating their sales targets is a strong pipeline. As ad budgets softened over the last 18 months, so have sales pipelines. In soft markets, building demand and pipeline is more challenging than ever. Closed-won deal sizes have been on the decline YoY and sequentially in 2023. Companies of nearly all sizes saw deals shrink in value, with budget reductions in the -6% to -20% range. The larger media companies had modest declines hinting they're able to convert larger audience scale and broader product portfolios into bigger budgets, so this is a trend to watch over time.

First Half 2023 Average Deal Sizes

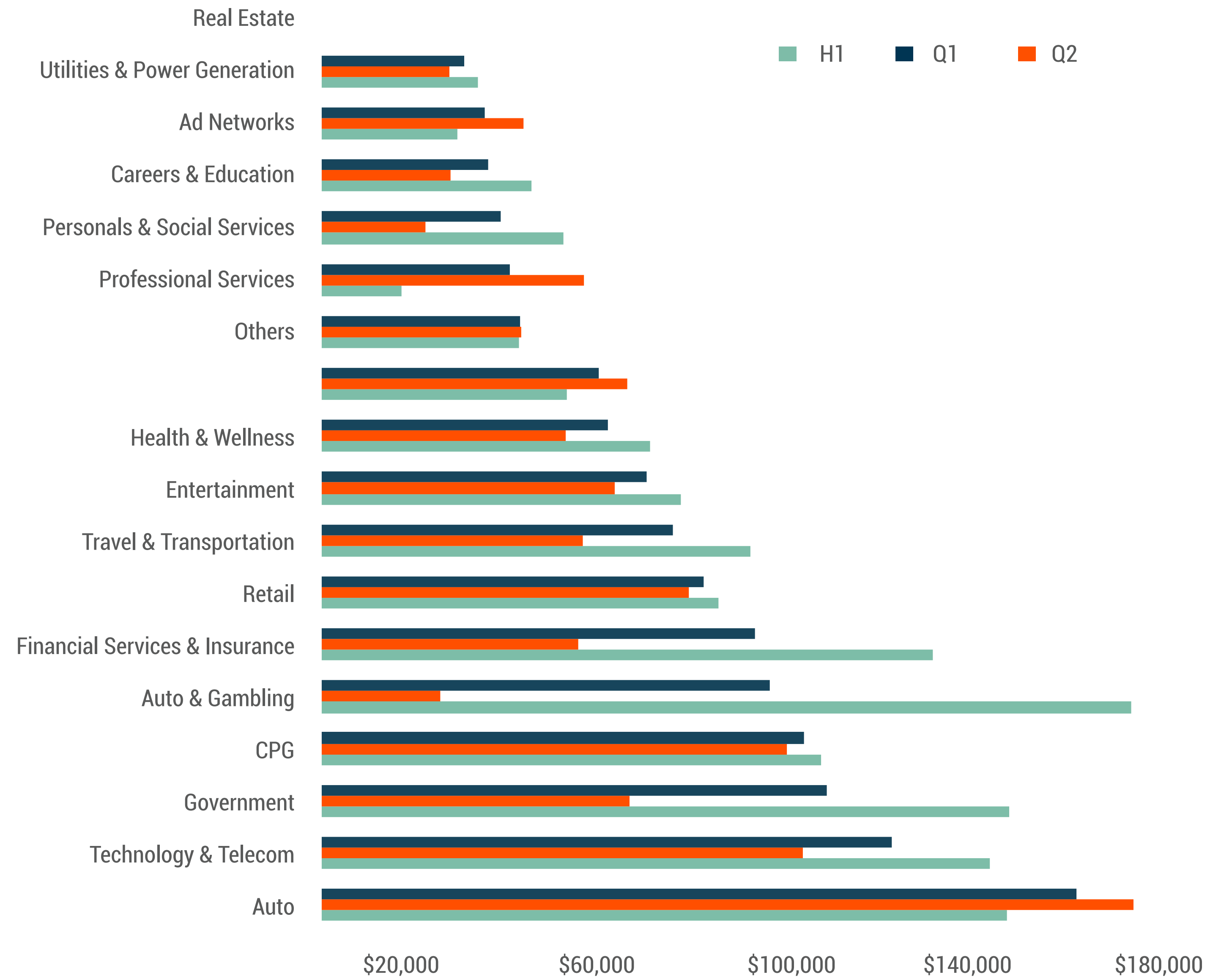


First Half 2023 Average Deal Sizes

When applying a category lens to ad budgets and deal sizes, the story gets more interesting. The return of Auto spenders in 2023 led to the largest average deal size for the first half at $158K, followed by Technology & Telco at $119K, Government at $105K, and CPG at $101K. In a market with lower volumes, these campaign budgets are preferable to the smaller buys from Real Estate ($29K), Utilities & Power Generation ($34K), and Ad Networks ($34.5K).

Slower ad budget demand results in less deal volume

As deal sizes shrank, so did deal volume, which isn't surprising given the sluggish growth in the first half of 2023. This analysis includes all deal types such as RFPs and non-RFPs that were created within each quarter. The overall average growth in Q1 was 0%, while deal volumes decreased 3% YoY. In Q2, growth picked up, albeit slightly at 3% overall, and deal volume was flat YoY. Larger media companies saw a 5% decline in volume in Q2, corresponding with an 11% decline in deal size. Mid-sized media companies ($25M-$50M) saw



16% volume decline in Q1, followed by a 12% decline in Q2. The $50M-100M cohort was the only group with increases in both Q1 and Q2, at 7% and 5%, respectively. If this lag in deal volume to revenue growth is an emerging trend, there will hopefully be higher growth rates in Q3 and Q4 on the back of returning ad budget demand.

The obvious question is what was driving the declines or increases? Looking at it from a category lens provides additional insight. The biggest increases in volume for the first half of 2023 were Real Estate (+47%), Travel & Transportation (+26%), Professional Services (+21%), and Personals & Social Services (+20%). Real Estate and Travel are often seasonal in the early part of the year and a good reflection of where consumers are spending money. On

Category Deal Size YoY	Q1	Q2	H1
Ad Networks	55%	-18%	-45%
Adult and Gambling	-82%	47%	31%
Auto	19%	-78%	11%
Careers and Education	-15%	41%	-9%
CPG	9%	-19%	3%
Entertainment	19%	-18%	-5%
Financial Services and Insurance	23%	52%	-35%
Government	-64%	44%	5%
Health and Wellness	-7%	40%	-20%
Others	12%	-25%	6%
Personals and Social Services	57%	-3%	-17%
Professional Services	34%	34%	-34%
Real Estate	59%	36%	-51%
Retail	26%	14%	-20%
Technology & Telecom	18%	5%	-13%
Travel and Transportation	-2%	70%	-46%
Utilities and Power Generation	65%	21%	-49%

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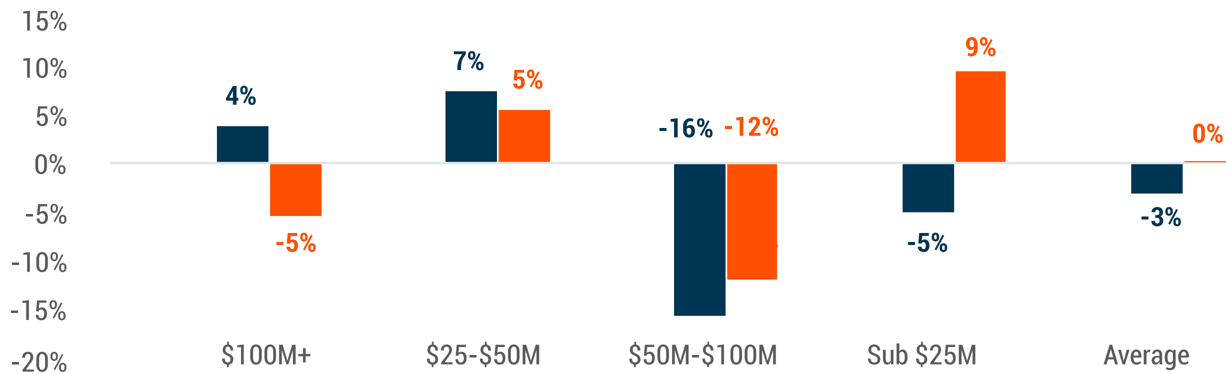
DEAL VOLUME HAS DECLINED

Q1 & Q2 Deal Volume Trends YoY



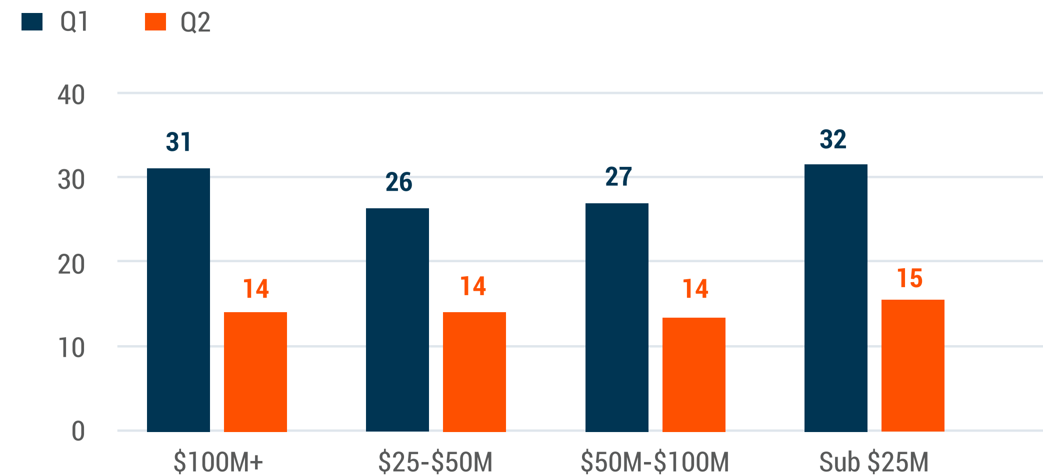
Deal Volume Trends YoY

Company Size	Q1	Q2
$100M Plus	4%	-5%
$50M to $100M	7%	5%
$25M to $50M	-16%	-12%
Sub $25M	-5%	9%
ALL	-3%	0%

Deal cycles: If there are fewer, smaller deals, are they moving faster?

Yes. As deals shrank in size and volume, their cycle times sped up, indicating more last-minute buying, last-minute budget approvals, bargain shopping, and general skittishness. In Q1, cycle times decreased by 20% on average, from 37 to 30 days. Larger media companies ($50M+) saw modest deal cycle times speed up by 9% and 3%, while smaller companies had even faster acceleration of over 20%. This trend accelerated in Q2, with a quarter-over-quarter decrease of 50%, from 30-15 days on average. This was consistent regardless of company size. Does this mean buyers are waiting until the last minute and moving quickly? Or are they merely repeat-buying the same past purchases? This raises so many questions that should be discussed with Sales teams and monitored for the rest of the year. The limited visibility is likely causing headaches for CROs forecasting this type of business.

Deal Cycle Times in Number of Calendar Days



Deal Cycle Time Changes YoY

Company Size	Q1	Q2
$100M Plus	-3%	-61%
$50M to $100M	-9%	-55%
$25M to $50M	-28%	-64%
Sub $25M	-20%	-59%
ALL	-20%	-60%

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DEAL VOLUME HAS DECLINED

Next, we examined whether there is pressure to execute campaigns quickly after closing them by analyzing "Close to start," which is the period from when a deal is won to its start date. On average, this time frame was largely unchanged from 2022, but for larger media companies, there was a 20% decrease in the number of days. This puts tremendous strain on operations teams to rapidly activate campaigns on time, since there are routinely delays in receiving creative tags and getting creative or other approvals. In addition, this shorter time frame adds to an already high level of stress for the commercial organization. The only group that saw an increase in the time to launch campaigns was the $25M-$50M group, with a 9% increase in both Q1 and Q2.

Company Size	Q1	Q2
$100M Plus	-20%	-20%
$50M to $100M	0%	0%
$25M to $50M	9%	9%
Sub $25M	0%	0%
ALL	1%	1%

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Bundling drives higher growth rates this year

In our 2022 MAST report, there was a strong correlation between bundling (number of products on a deal) and revenue growth. The top quartile of high-growth media companies sold three to five products on 48% of their deals. Larger deals drive higher revenue and growth, but did that hold true this year in a down market with smaller deal sizes and budgets?

The answer is a resounding yes. In the first half of 2023, the top quartile of high-growth media companies saw 52% of their deals have three or more products, and 42% of deals had six or more products. Media companies that invested in a broader ad product portfolio with multimedia formats or full-funnel solutions fared better, enjoying higher growth.

Unfortunately, correlation between growth and the number of products in deals was weaker in the first half of the year. A first-half correlation coefficient of .37 indicates little correlation, which is reflective of mostly flat or negative revenue growth rates. Can media companies bundle their way out of this situation to post higher growth? There's probably room for improvement; revenue teams should seek out those opportunities, whether in certain categories, product adjacencies, or consistencies across the Sales organization. In this soft macroenvironment, finding layups and jump balls will be harder but worth the effort.

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A few categories are driving ad budgets

With the lower demand environment, media companies need to find the bright spots that do well seasonally or in recessions. Fortunately, Auto bounced back after being largely absent from the market in 2022, increasing its spend by 87% in the first half of 2023. This category was the largest driver of spending growth, followed by Utilities & Power Generation (+24%), Personals & Social Services (+20%), and Travel & Transportation (+10%). Unfortunately, budget reductions led to larger declines in the first half by Ad Networks (-69%), Financial Services & Insurance (-51%), and CPG (-42%). Ad Networks may have fled to RTB markets, while Financial Services & Insurance and CPG apparently aren't following the common wisdom to maintain or increase marketing during a recession to come out stronger on the other side. The second half of 2023 will be interesting to see if advertisers have more confidence in the economy and if they step up their spending. We're not, however, betting on major increases.

Category Revenue Change YoY	Q1	Q2	H1
Auto	76%	97%	87%
Utilities and Power Generation	30%	20%	24%
Personals and Social Services	29%	14%	20%
Travel and Transportation	36%	-5%	10%
Health and Wellness	17%	-5%	5%
Careers and Education	2%	7%	5%
Entertainment	-1%	10%	5%
Professional Services	12%	-7%	1%
Real Estate	-3%	-4%	-4%
Retail	-7%	-10%	-8%
Technology & Telecom	-25%	-16%	-21%
Adult and Gambling	-22%	-28%	-25%
Government	-38%	-16%	-26%
CPG	-9%	-54%	-42%
Financial Services and Insurance	-33%	-62%	-51%
Ad Networks	-79%	-50%	-69%
Others	-60%	-83%	-76%

Conclusion

There is much to be concerned about this year, from deal volume decline to increased churn. But there are also glimmers of hope—media companies that are bundling effectively, catering to customer needs, and delivering better performance are still able to succeed. And, hey, if we are at the bottom, there's only one way to go: up!

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About this report

The insights in this report were derived from a cohort of 100+ primarily digital U.S.-based media companies within the Boostr platform from January 2021 to June 2023.

About Boostr

What happens when media industry executives create an ad management platform from scratch?

The most accurate revenue forecasting. The fastest pace of industry innovations. Larger deal sizes with more products sold. RFPs with greater sell-through rates. 50+ automated workflows for sellers + ad ops. Analytics to report on virtually anything. Save 15-20% of team time for more creativity. Sales, ad ops & finance using one set of data.

Boostr is the media industry's most comprehensive and accurate digital transformation technology for managing advertising sales and delivery. Boostr offers CRM, OMS, and automated RFP response technologies designed by media professionals to sell more plans at higher margins. Boostr clients include Outfront, NPR, Westwood One, DISH, BuzzFeed, and more.

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