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2023 Pricing & Yield Trend Report

Welcome to our second annual "Media & Ad Sales – Pricing & Yield Trend Report." This report aims to provide insights into important topics and trends facing Revenue Operations leaders and their organizations, and is a companion piece to our annual "Media Ad Sales Trend Report (MAST)," which focuses on similar topics for Ad Sales leaders and their teams. The goal of this report is to provide useful benchmarks and insights to enable publishers to drive profitable growth.

We hope you find this report valuable and welcome your feedback for future publications.

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Key Findings

KEY FINDING 1

The go-go growth times are over…for now

In 2021, media companies rapidly rebounded from the pandemic, posting stellar growth rates. Many thought this growth would continue in 2022, if a bit slower. Actual 2022 growth rates were higher than Magna Global's 2022 projections of 13-17%, except for the smallest media companies. Growth was decent in Q1 before significantly decelerating in Q2; Q3 and Q4 were both challenging quarters.

Mid-sized media companies ($50-$100M in annual revenue) saw the best growth with an average of 48%, while the smallest revenue cohort (sub-$25M annual revenue), had the slowest growth at 9%. The largest media companies ($100M+ annual revenue) showed the most stability, posting respectable double-digit growth rates at 26%.

Magna Global predicts a meager 4% growth for 2023. We predict strong media companies may squeeze out 10-15%, but based on our field conversations in Q1, many would be happy with 4% growth.

KEY FINDING 2

Where did the loyal customers go?

In 2022, we introduced the Net Revenue Retention (NRR) metric to help media companies better understand customer retention and churn. It's easier to grow with high NRR. High NRR was a big growth contributor among the $50-$100M company cohort, which exhibited the highest NRR on an annual and quarterly basis.

It's hard to find enough new logos to fill a leaky bucket. The other cohorts saw, on average, an NRR of 75%, while the sub-$25M cohort had a 60% NRR. See how your company benchmarks and what you can do to reverse this trend before it's too late.

KEY FINDING 3

Pricing held its own

While growth and retention slowed in 2022 compared to 2021, pricing held up. In fact, the IO and Programmatic Guaranteed (PG) channels showed modest increases of 6%, while Private Marketplace (PMP) pricing saw a negligible 2% decline. Going forward, pricing stability may be a challenge if ad budgets shrink and buyers move dollars to more performance-based products over brand-building—as they often do in recessions.

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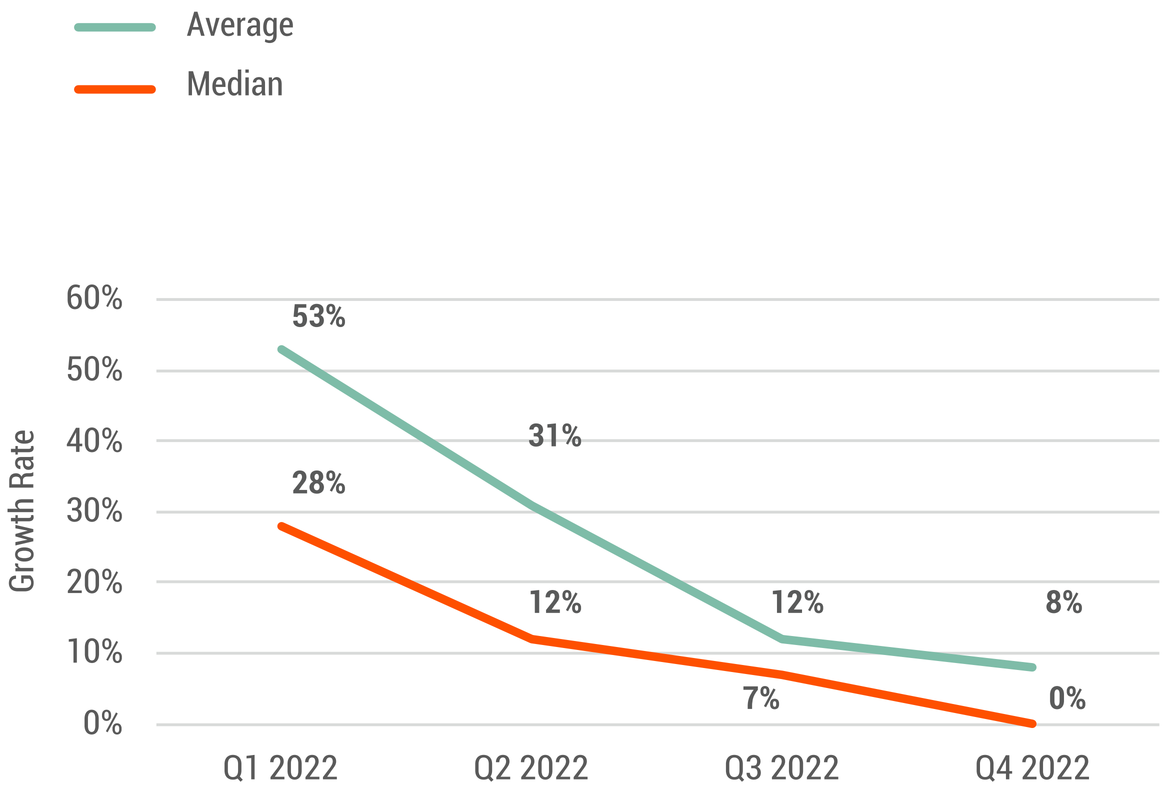
The go-go growth times are over…for now

Media companies, especially digital publishers, were coming off a banner year in 2021 with much to be excited about. After years of challenging times, digital media roared back with an average growth rate of 49% in 2021. On top of that, 75% of digital media companies surpassed their 2019 pre-COVID 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 spend continued to increase year over year with an overall average growth rate of 28% 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 automotive 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 election season could generate a significant year-over-year uptick. Field conversations followed this story arc: There was widespread optimism in Q1 when speaking with revenue leaders, followed by a rapid deterioration in Q2, when RFP volumes started declining, followed by revenue growth declines.

Average Growth Rate by Quarter Year over Year (2022 vs 2021)



Magna Global forecast a 13-17% increase in digital ad spend for the US market in 2022. The firm was pretty accurate in its forecast, as seen below.

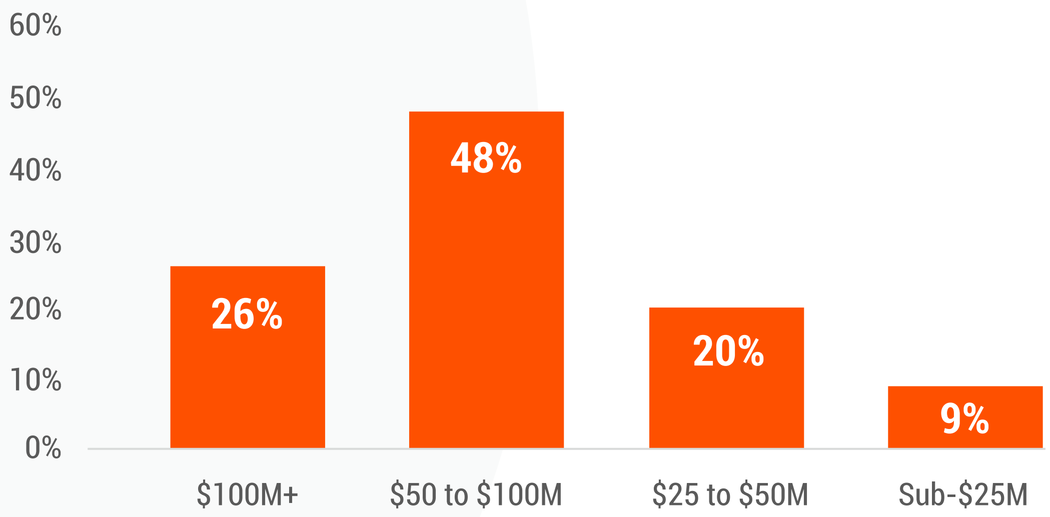
	Growth Rate YoY
Best in Class	186%
90th Percentile	61%
75th Percentile	32%
Average	19%

In our 2022 "Media & Ad Sales – Pricing & Yield Trend Report," we predicted publishers should be able to drive 20-30% growth. Ultimately, only the top quartile achieved this rate. For 2023, Magna Global predicts a meager 4% growth for North America. With hot sectors such as Retail Media, CTV, and Digital Audio growing fast, it's likely these newer entrants will steal share from a stagnant pie year over year.

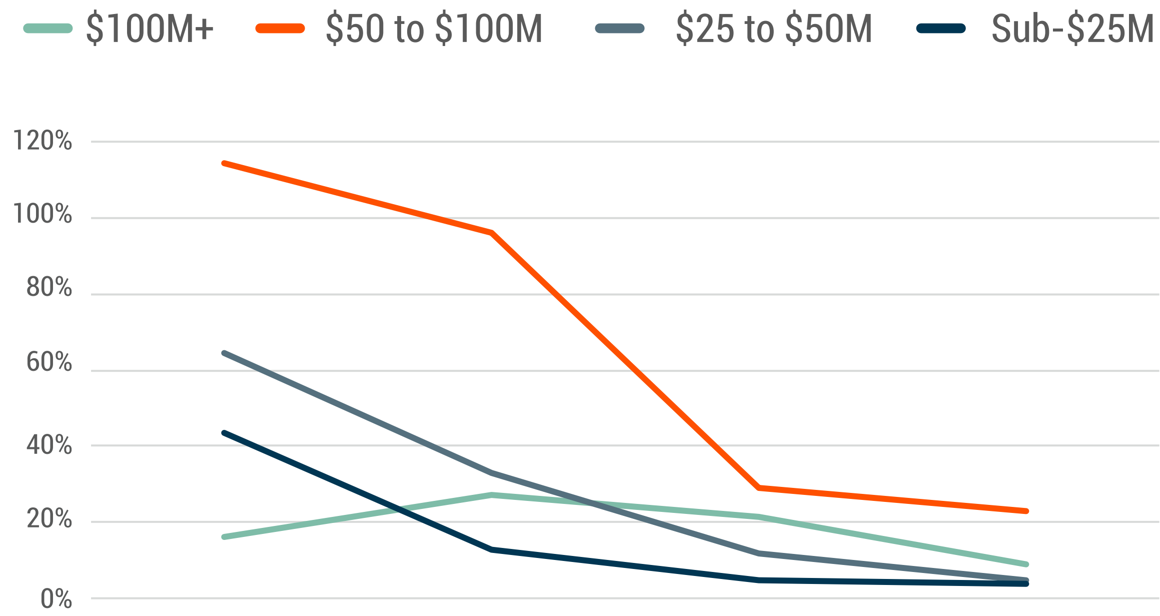
The 2021-2022 growth story becomes clearer by examining growth rates by company size. While it might seem intuitive to think that smaller media companies would have the highest growth due to their smaller base, that's not what happened. For this report, we looked at four cohorts of media companies based on total annual revenue: $100M+, $50-$100M, $25-$50M, and sub-$25M. The sub-$25M cohort suffered the lowest growth rates, while the $50-$100M saw the highest rates. The largest media companies saw the most stable growth each quarter, while the other cohorts experienced rapid changes. The $50-$100M cohort experienced particularly abrupt deceleration, declining from a Q1 114% growth rate to a low point of 23% in Q4. The $25-$50M cohort similarly slowed from a 43% growth rate in Q1 to 4% in Q4.

There are many potential reasons, including budgets shifting from small-scale publishers to larger scale providers, larger media companies having more diversified offerings, and the general trend of buyers working with fewer partners. In our upcoming "2023 Media Ad Sales Trend Report," we break down the factors that contributed to higher or lower growth rates. For the benchmarking purposes of this report, below is a summary of growth rates by company revenue size:

Average Full Year Growth by Company Size

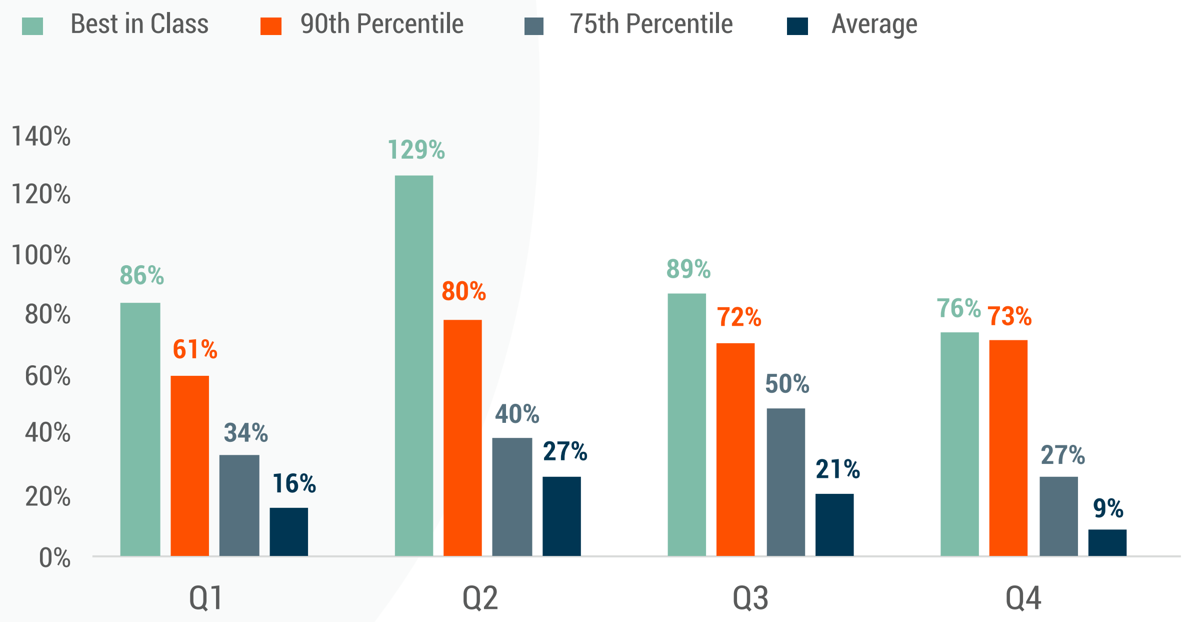


Average Growth by Company Size by Quarter

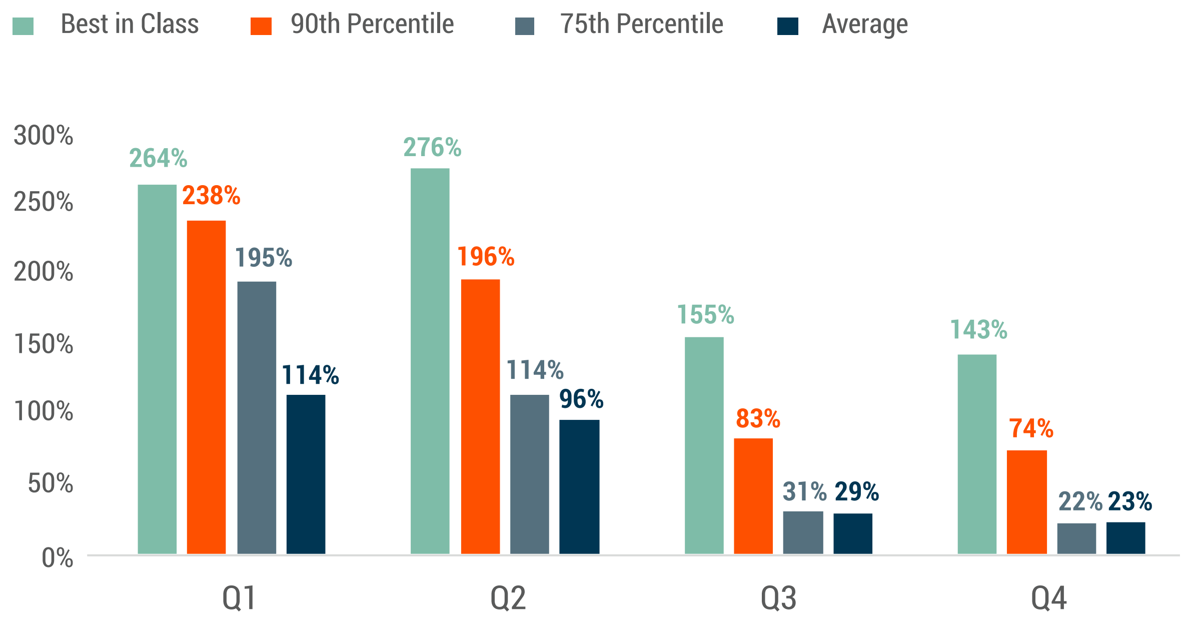


Company Size	Q1	Q2	Q3	Q4
$100M+	16%	27%	21%	9%
$50 to $100M	114%	96%	29%	23%
$25 to $50M	64%	33%	12%	5%
Sub-$25M	43%	13%	5%	4%

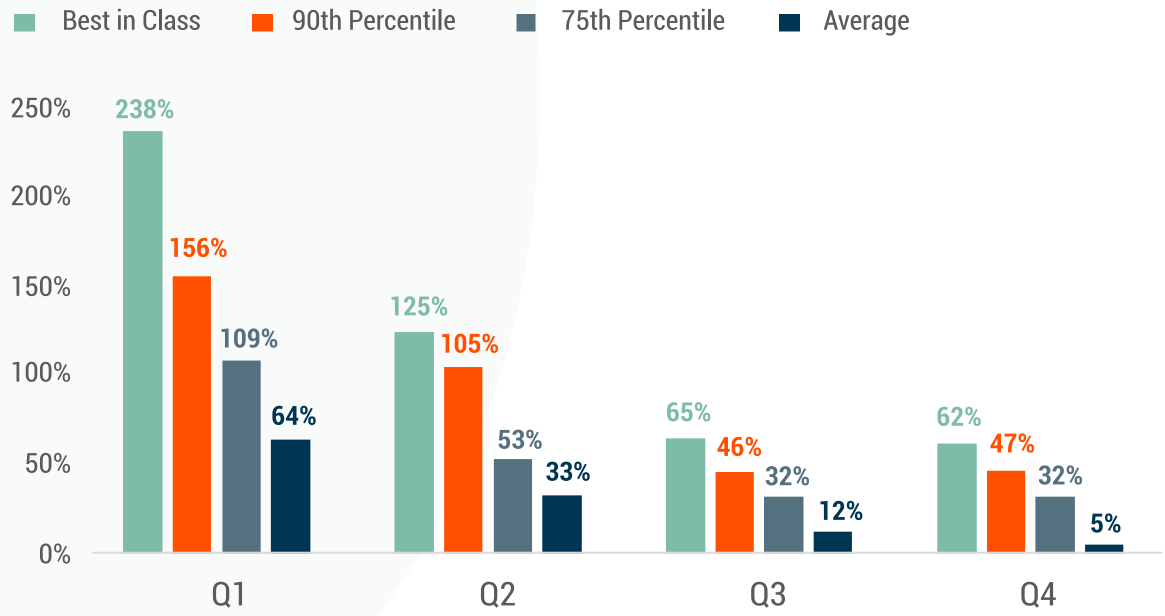
$100M+ Growth Rates by Quarter



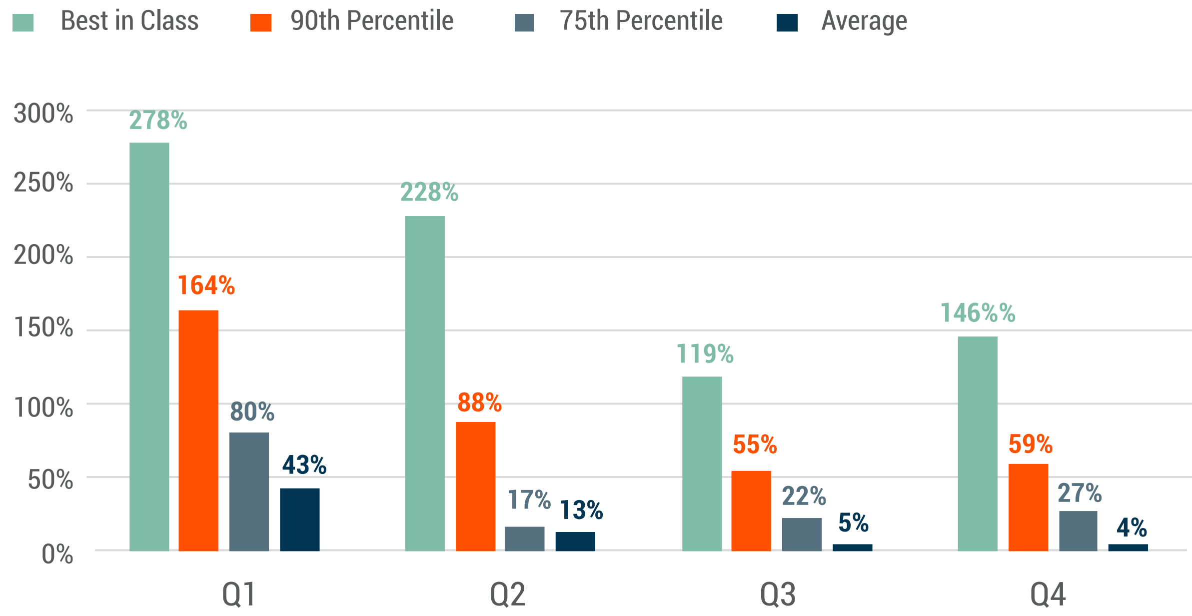
$50M-$100M Growth Rates by Quarter



$25M-$50M Growth Rates by Quarter



Sub-$25M Growth Rates by Quarter



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Where did the loyal customers go?

Last year in our "2022 Media Ad Sales - Pricing and Yield Trend Report, " we introduced a new way for media companies to measure the renewability and recurring revenue called NARR. The concept was well-received, however, we're now calling it NRR 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)

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

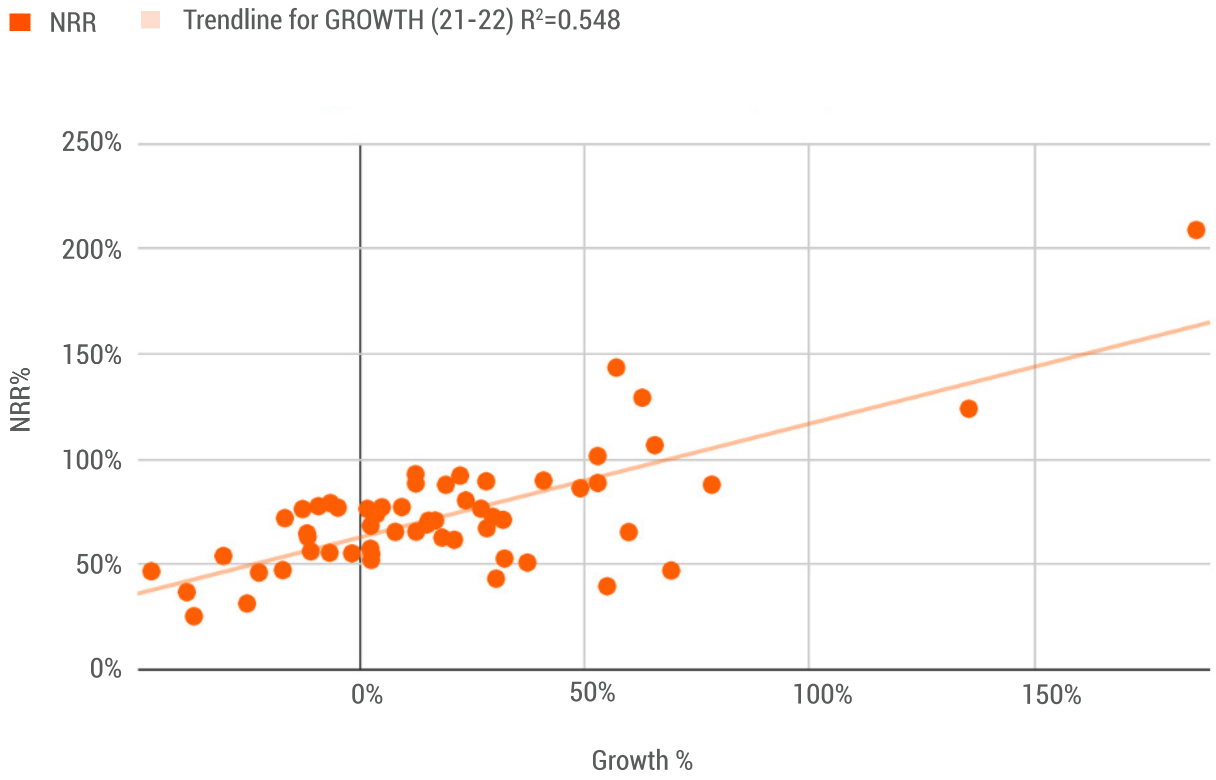
The beauty of NRR is when it's over 100%, the publisher's future growth has a firm base to build upon, similar to how compound interest works. For example, if a publisher desires to grow revenue by 25% and has a NRR of 105%, it only needs to find an incremental 20% in new revenue, as the existing clients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

In SaaS, an NRR greater than 115% is deemed world-class. In media, without contractual commitments for recurring spend, getting to that level may take time to achieve consistently. In 2022, NRR levels decreased significantly from 2021, similar to how growth rates plunged during the year. Clearly, retaining revenue was a challenge in 2022. The following NRR rates across all companies were observed:

	NRR	YoY
Best in Class	209%	-2%
90th Percentile	93%	-14%
75th Percentile	80%	-17%
Average	69%	-15%

In 2022, there was again a positive correlation between overall revenue growth and NRR.

Growth vs. NRR



The overall correlation between growth and NRR for the year was positive, with correlation increasing 21% YoY to an R=.54, indicating that high growth and retention go hand in hand. On a quarterly basis, Q2 had the highest observed R at 0.40, while Q4 showed the weakest correlation at 0.16. Quarters with weaker correlation and reasonable growth like Q4 lead to a hypothesis that new logos and/or categories like Politics may have driven growth more than existing clients.

By company size, the mid-sized $50-100M revenue cohort retained the most clients and was the only cohort with an annual average NRR that didn't decline; this group also enjoyed growth across all four quarters. The $100M+ revenue cohort saw the largest NRR declines, with an average decrease of 36% for the year and the steepest average decrease of 35% in Q3. The $100M+ cohort's median growth rate of 17% indicates new logos drove 37% of its growth, while the $50-100M group's 28% median growth rate relied on new logos for 34% of its growth. This shows how a high 94% average NRR drives significantly higher growth even with similar new logo contributions. Media companies should prioritize analyzing account- and category-level NRR rates and trends to identify the source of the declines—-whether churn or contraction—and take steps to reverse the downturn in 2023. Many media companies grew by acquiring new logos in 2022, these will factor into their 2023 NRR cohorts and should be closely managed for retention and expansion.

The following provides a detailed NRR by company size and YoY change for benchmarking purposes:

$100M+

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

$25-$50M

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

$50 - $100M+

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

Sub $25M

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

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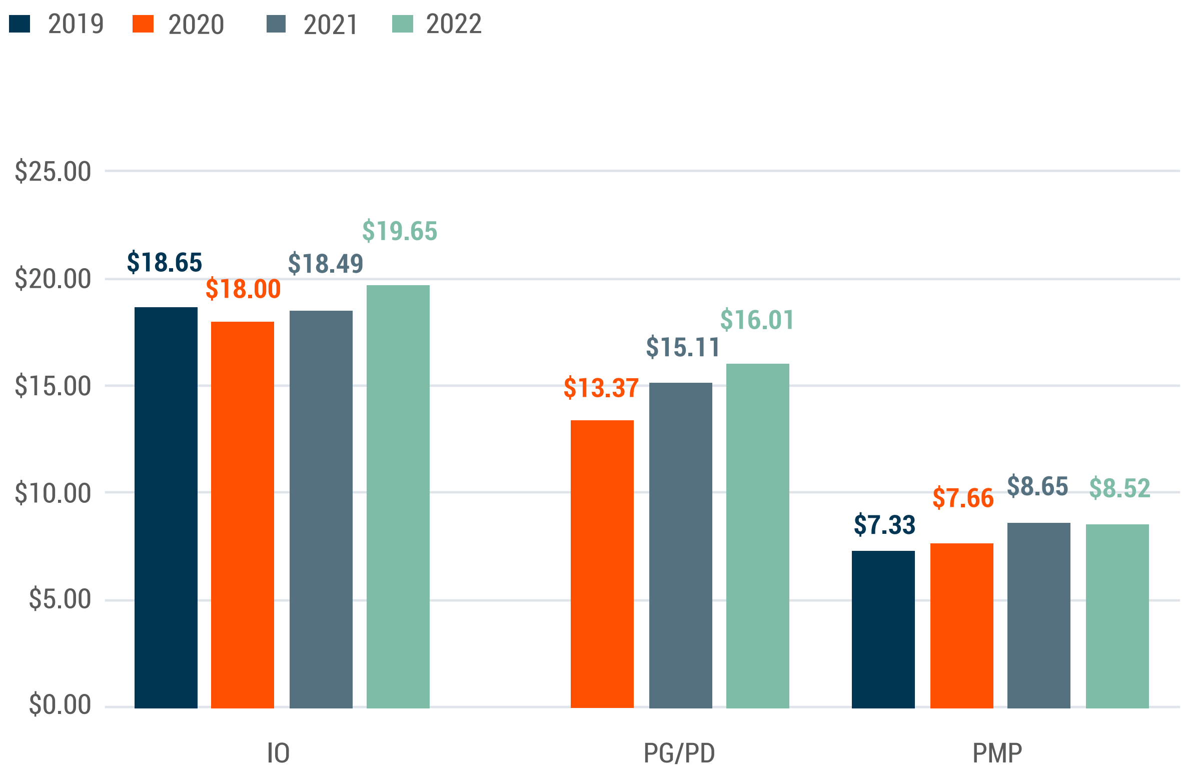
Pricing held its own

The price for any good or service is based on the relationship between its supply and demand. As growth and demand cooled, direct-sold pricing managed to hold steady. Rates increased only modestly year-over-year for IOs and Programmatic Guaranteed (PG) / Preferred Deal (PD) inventory, while PMP deal pricing saw a slight decline.

Unsurprisingly, the IO channel commanded the highest price, although the PG/PD channel wasn't far behind. We predict that as the channel matures with broader adoption, its pricing will rise to within 5-10% of traditional IO pricing.

Diving into pricing by channel and category reveals a more nuanced story on what's driving pricing growth.

Average CPM by Year



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IO pricing trends

Autos (+23%) saw the largest pricing increase, which is understandable, as most Auto ad buyers had very little inventory to market and enjoyed high demand. Government, which includes Politics during an election year, saw an 11% decline. Personals & Social Services (+16%) and Technology & Telecom (+11%) rounded out the gainers after Autos. Real Estate (-26%), Government (-11%), and Ad Networks (-11%) were the top decliners. Other categories were up or down modestly year over year.

IO Pricing (annual average CPM)

Category	2019	2020	2021	2022	YoY
Ad Networks		$9.06	$13.52	$12.00	-11%
Adult & Gambling			$20.93	$18.80	-10%
Auto	$19.68	$21.01	$16.62	$20.50	23%
Careers & Education	$18.73	$22.93	$23.28	$23.16	-1%
CPG	$18.98	$17.66	$17.67	$18.56	5%
Entertainment	$20.35	$18.67	$19.54	$20.26	4%
Financial Services & Insurance	$20.41	$22.01	$24.85	$22.59	-9%
Government	$38.91	$30.42	$28.87	$25.67	-11%
Health & Wellness	$17.87	$19.08	$19.04	$21.02	10%
Personals & Social Services	$16.47	$14.28	$14.24	$16.47	16%
Professional Services	$14.22	$13.23	$20.14	$21.06	5%
Real Estate		$25.00	$32.04	$23.63	-26%
Retail	$21.28	$18.38	$16.62	$18.32	10%
Technology & Telecom	$18.76	$19.48	$19.03	$21.21	11%
Travel & Transportation	$23.30	$22.03	$22.08	$21.90	-1%
Utilities & Power Generation				$16.50	

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Programmatic Guaranteed / Preferred Deal pricing trends

The Programmatic Guaranteed and Preferred deal types are new from Google with nascent, but increasing, usage. These deal types really came to life in the last three years, so these are emerging pricing trends.

This channel saw significant pricing fluctuations last year, with Travel & Transportation pricing gains of +111%, followed by Financial Services & Insurance at +76% and Government at +35%. Even with these large increases, their absolute prices are still significantly lower than those within the premium IO channel. On the declining side, Ad Networks were down -61%, followed by Health & Wellness (-23%) and Technology & Telecom (-14%).

Programmatic Pricing (annual average CPM)

Category	2020	2021	2022	YoY
Ad Networks	$4.56	$6.06	$2.37	-61%
Auto	$10.96	$14.18	$12.87	-9%
Careers & Education		$9.75	$10.00	3%
CPG	$15.81	$15.86	$17.27	9%
Entertainment	$14.97	$17.46	$17.54	0%
Financial Services & Insurance	$13.90	$8.60	$15.12	76%
Government	$12.72	$8.00	$10.79	35%
Health & Wellness	$12.61	$16.87	$13.01	-23%
Personals & Social Services	$6.36	$11.46	$12.84	12%
Professional Services	$11.13			
Retail	$10.24	$14.67	$17.20	17%
Technology & Telecom	$15.02	$19.64	$16.92	-14%
Travel & Transportation	$9.90	$6.66	$14.05	111%

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Traditional Private Marketplace (PMP) pricing trends

PMPs are a very touchy subject for publishers, with most frustrated by their as-yet unfulfilled promise. They're notorious for technical issues, which require troubleshooting, and PMP campaigns often fail to deliver their entire budget, both of which make forecasting demand a challenge. PMPs also represent the lowest CPM tier for direct-sold inventory, but are above typical open exchange rates.

Interestingly, Ad Networks are driving the highest growth in PMP prices—up 96%—possibly indicating that managed-service programmatic companies are buying from publishers to resell more aggressively. (It may also provide context for the drop in Ad Network pricing via PG/PD–the inventory may be moving from those channels to lower-priced PMPs.) This is a double-edged sword for publishers, as they will need to decide how much inventory should be sold direct vs. resellers and what that means for their overall yield strategy. There were significant decliners, including Government (-83%), Technology & Telecom (-58%), and Financial Services & Insurance (-31%). These categories saw similar declines in their other available channels, except for Government, which increased in PG/PD. These declines may be attributed to high seasonal budgets driving lower overall prices.

PMP Pricing (annual average CPM)

Category	2019	2020	2021	2022	YoY
Ad Networks	$4.08	$3.19	$5.29	$10.34	96%
Auto	$9.05	$14.72	$5.39	$4.31	-20%
CPG	$7.72	$11.67	$10.24	$10.84	6%
Entertainment	$8.66	$9.22	$10.50	$10.23	-2%
Financial Services & Insurance	$15.06	$5.62	$7.05	$4.72	-33%
Government	$6.75	$5.53	$15.42	$2.57	-83%
Health & Wellness	$9.17	$4.96	$5.99	$4.17	-31%
Professional Services	$6.37	$6.03	$7.83	$8.79	12%
Retail	$6.36	$8.91	$13.91	$15.16	9%
Technology & Telecom	$8.02	$5.88	$9.20	$3.83	-58%
Travel & Transportation	$8.11	$7.81	$9.71	$10.59	9%

Looking ahead

Last year started off with a bang and ended with a fizzle. Growth rates fell quarter over quarter, and revenue retention was tough for most media companies, but pricing, fortunately, held steady. Our diagnosis? The ad industry, and the economy for that matter, were regressing back towards the mean. After the pandemic fueled hypergrowth, everything started a rapid deceleration.

How can media companies succeed in 2023? Remember that fundamentals still matter – good service plus smart customer solutions equals recurring revenue, the key to industry-leading growth. Media companies that mastered this equation and acquired new logos grew faster than their peers in 2022, and will continue to do so. Oh, and have hot ad formats like CTV and podcasts.

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About this report

The insights in this report were derived from a cohort of primarily digital U.S.-based media companies within the Boostr platform from January 2019 to December 2022.

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 Macy's, Lowe's, Westwood One, DISH, BuzzFeed, and more.

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