

TV'S NEW WAVE:

Marketers Take on the Shift to OTT, CTV, & Addressable

How Advanced Advertising Is Changing the Way Brands Use TV

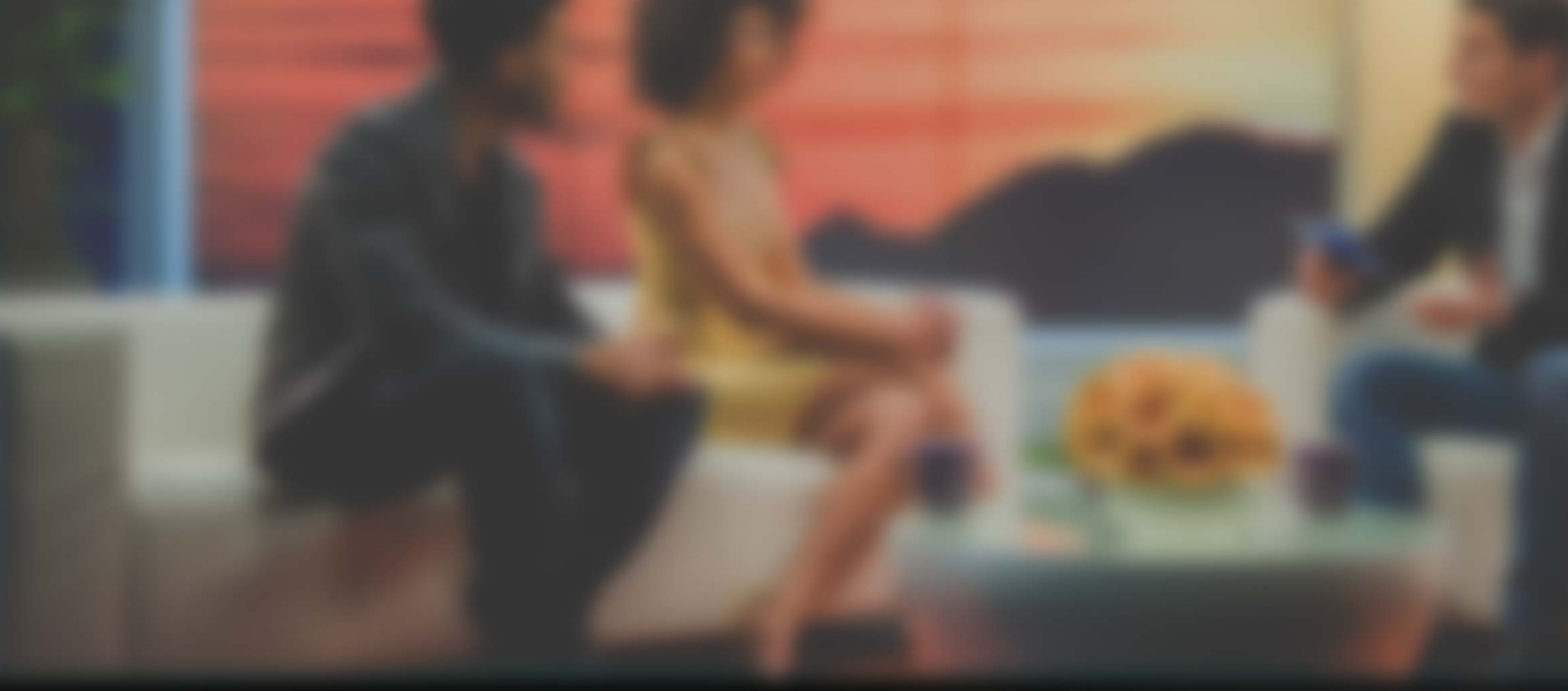


TABLE OF CONTENTS

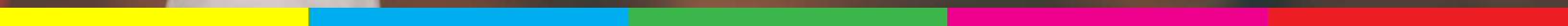


4	Executive Summary
6	Advanced TV Acronyms (And What They Mean Exactly)
7	CTV Ads: What Marketers Like and Dislike
10	Innovator Interviews
12	That Works! Best Use Cases for CTV
13	Our Crystal Ball: The Future Outlook for CTV
14	Data Matters: Segmentation, Targeting, and Measurement
15	The Next Phase: Addressable and Other Advanced Advertising Tactics
18	The Future Outlook for Advanced Advertising
20	Wrap Up
21	About





As consumers rapidly shift their viewing from linear TV to streaming, marketers and agencies are coming to terms with the need to make connected TV (CTV) and other advanced advertising techniques a greater part of their overall marketing strategies.



EXECUTIVE SUMMARY

Cadent and Brand Innovators set out to pinpoint how much education is needed about emerging television mediums and what the exact barriers to adoption are through a survey of brand marketers and agencies.

Authored by Alan Wolk, Co-Founder and Lead Analyst at TV[R]EV

While many executives are familiar with new mediums like CTV and over-the-top television (OTT), many expressed a desire for further education.

Education might be necessary for a few reasons, from brands' unfamiliarity with tactics that the market has not demanded they make use of thus far, to the current complexity of measurement, and to the rapidly changing nature of the market. For every respondent who told us that "CTV is where the media space is moving," there was one who told us that CTV was "unproven" or that they did not use it because "we target an older generation."

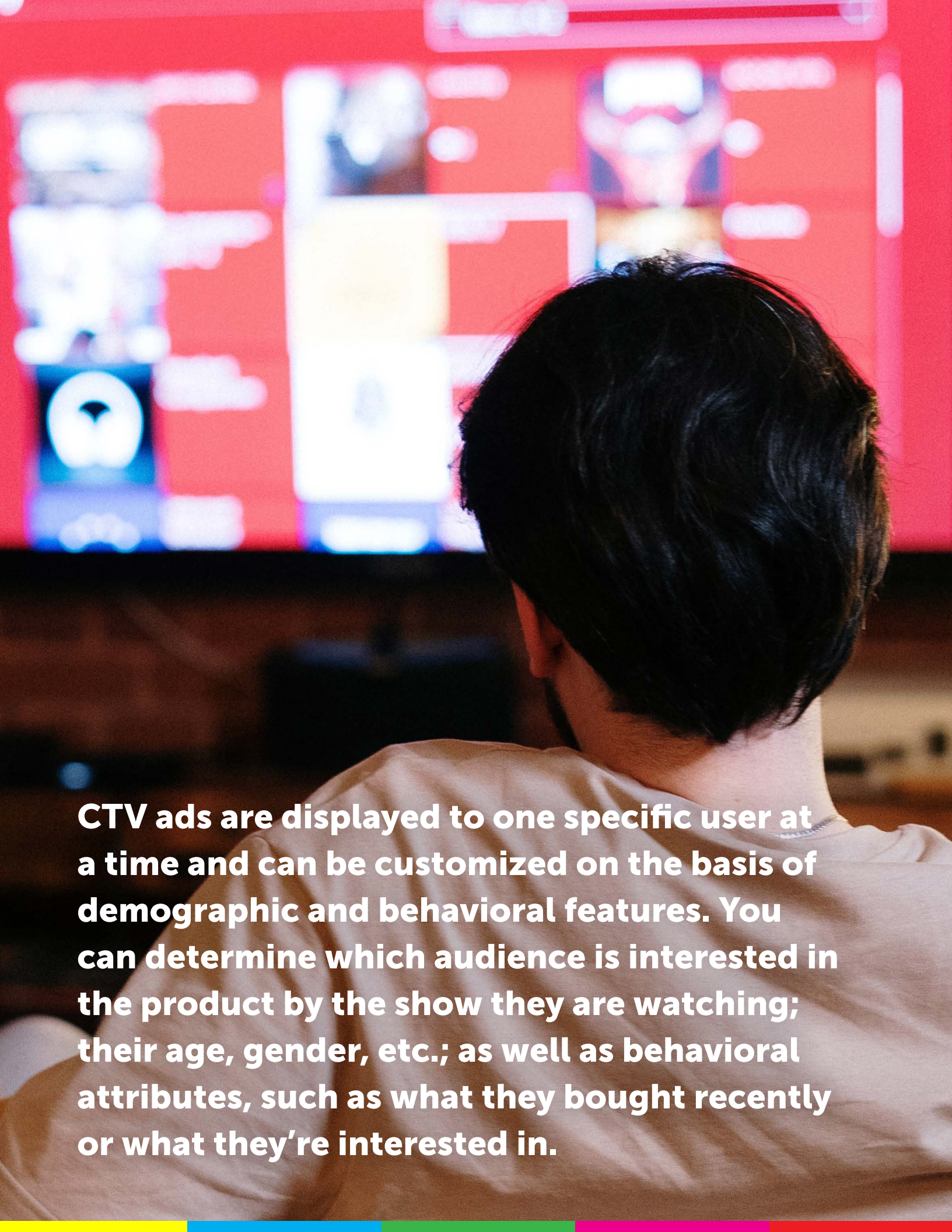
One perception that stood out is that many executives feel CTV and addressable advertising are unduly expensive and are unfamiliar with the notion of eCPM and how it differs from traditional TV metrics. The focus on cost was surprising, as prices have largely come down, audience sizes have increased, and more inventory has become available over the past few years. This would seem to indicate that this is one area where the industry, particularly technology partners,

networks, and platforms selling the inventory, can focus their education efforts.

Another area where education will be useful is in understanding how to achieve scale on CTV and how data and measurement work. There are many new developments here—Nielsen, for instance, recently announced new data sources as part of a revamp of their addressable advertising measurement solution, which should further open up linear addressable while making it easier to understand performance across platforms.

On a positive note, respondents seemed to understand why CTV advertising was still TV advertising, and, as such, why factors like the emotional impact of video on a big screen, brand safety, and lack of fraud made it superior to digital advertising. Many expected their CTV and advanced advertising budgets to increase over the near term. Thus, there will be much demand for marketers and agency executives who understand these emerging tactics and why they create a competitive advantage for those who embrace them versus those who don't.





CTV ads are displayed to one specific user at a time and can be customized on the basis of demographic and behavioral features. You can determine which audience is interested in the product by the show they are watching; their age, gender, etc.; as well as behavioral attributes, such as what they bought recently or what they're interested in.

1 ADVANCED TV ACRONYMS (AND WHAT THEY MEAN EXACTLY)

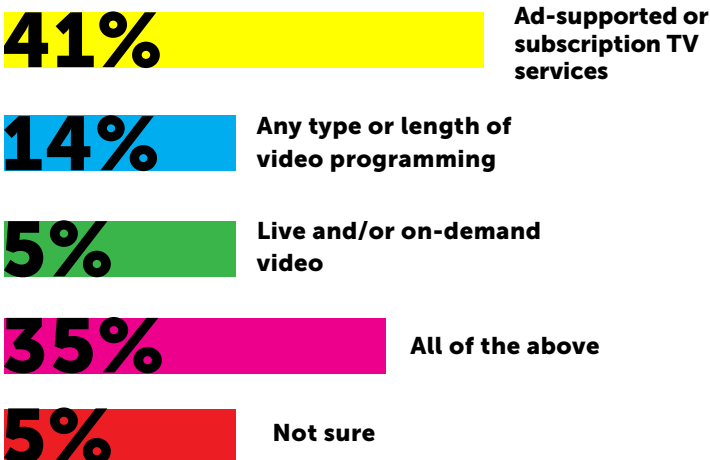
One of the biggest challenges of the new marketplace has been getting to some level of standardization in the terminology we use. The space is confusing enough as it is, and different interpretations of what even the most basic terms mean leads to, understandably, more confusion.

A prime example of this are the two seemingly basic terms **OTT (over the top)** and **CTV (connected TV)**. While they are frequently used interchangeably, many people have a very distinct interpretation of what they mean.

The most common definition among industry analysts is that OTT is any long-form (e.g., TV-like) video programming, regardless of which device it is being watched on, while CTV refers to the subset of OTT that is watched on an actual TV set, either directly via a smart TV or via a streaming device like Roku or Amazon Fire TV, and not on a laptop, phone, or tablet.

Our survey reveals the current states of confusion in the industry:

Four out of ten respondents said OTT meant “ad-supported or subscription TV services delivered via an internet connection to any device”—through a TV, laptop, or mobile device. Fourteen percent



said OTT referred to “any type or length of video programming,” and 5 percent said it meant “live and/or on-demand video content from cable companies delivered via an internet connection.” Thirty-five percent answered “all of the above,” and 5 percent said they weren’t sure what the term meant.

Similarly, only 39 percent agreed CTV referred to “TV programming delivered via an internet connection that is watched on an actual TV set,” while a full 20 percent believed it referred to “TV programming delivered via an internet connection to any device (TV, laptop, mobile)” and 25 percent felt it could mean both of those things, as well as “live and/or on-demand video content from cable companies (MVPDs) delivered via an internet connection.” To add to the confusion, a full 8 percent were not sure what OTT meant at all.

TAKEAWAY

It’s time to create clarity.

There’s a great deal of confusion around terminology, including OTT and CTV, which would indicate that more education is needed in this space.

CTV, or connected TV, refers to programming watched on a television set that is connected to the internet either via a smart TV or via an external OTT device or gaming console. Around 85 percent of streaming TV content is watched via CTV.

OTT: Television programming streamed over the internet to any connected device—televisions, laptops, phones, and tablets—without the need for set-top boxes or converters.

2 CTV ADS: WHAT MARKETERS LIKE AND DISLIKE

Next, we explored CTV and what marketers perceived to be its advantages, disadvantages, and barriers to adoption.

Respondents were advised that for purposes of the survey, “CTV” would be defined as “TV that is received via the internet, either through apps on smart TVs, external OTT devices like Roku, or gaming consoles like Xbox.

Fifty-nine percent of respondents reported that their companies ran ads on CTV and with budgets coming in at the \$1MM to \$5MM range (28 percent). Eighteen percent of respondents were in the “experimental budget” range of under \$500K (18 percent).

As for why they chose CTV, several reasons jumped to the front: the ability to reach targeted/addressable audiences, the ability to access sophisticated targeting abilities, and wide audience reach.

As one marketer respondent noted, “With CTV, the ads are displayed to one specific user at a time and can be customized on the basis of demographic and behavioral features. You can determine which audience is interested in the product by the show they are watching, their age, gender, etc.”

Interestingly, the most popular reason to choose CTV was “lighter ad loads keep audiences more engaged.” That’s notable because in a later question, only around 25 percent of respondents indicated they’d be willing to pay more money for a platform with a considerably lighter ad load.

A fair number of respondents still felt that the primary value of CTV is to reach “younger audiences and cord cutters.” While younger TV viewers and cord cutters certainly have flocked to CTV, the audience for CTV goes way beyond those two demographics and the reasons

for using it are much broader. (To wit, according to a July 2020 report by SpotX, the average age of CTV viewers is 45, and CTV viewers are quite evenly distributed by age group: 21 percent of viewers are 18–24; 24 percent of viewers are 24–34; 27 percent of viewers are 35–54; and 29 percent are 55 and over.)”

Respondents also saw CTV as superior to digital video for two key reasons: brand safety, saying “digital video could wind up on many sites that are not brand safe or next to content that is not brand safe,” and fraud, adding that “CTV has less ad fraud than online video.”

TAKEAWAY

Awareness isn’t the issue.

Marketers are aware of CTV and most seem to be making use of it, though budgets are still on the small side relative to traditional linear TV. While many marketers cite CTV’s lower ad loads as a reason to choose the medium, they don’t seem to want to pay more for those lower ad loads.

CTV ADS: WHAT MARKETERS LIKE AND DISLIKE CONTINUED...

Cost was viewed as the key limitation to CTV advertising, with 32 percent of respondents flagging it as too expensive. Other challenges included too hard to buy at scale (27 percent) and too hard to measure (28 percent). Surprisingly, 32 percent of respondents said they were “unsure” as to what the key disadvantages of CTV advertising were.

Frequency was an issue that came up often in the qualitative section of the study. One respondent noted that viewers shouldn’t see the same commercial every break, adding that there’s work to be done regarding “measurement especially as it relates to incrementality.”

There is also a fair amount of misinformation around CTV. One respondent, for instance, declared that CTV is “susceptible to ad blockers. Ads can be skipped by clicking skip or moving a browser window over the ad content.” While this is true of YouTube advertising, CTV, by the definition provided, referred to programming watched on an actual TV set, where there are no ad blockers or browser windows. In fact, according to Nielsen, over 80 percent of streaming TV is watched on an actual television set, so the point is moot for most streaming television. The fact that marketers are still using this as a reason to dismiss CTV indicates that there is still a high level of confusion around the medium. In short, the TV industry should illuminate CTV’s benefits clearly so it isn’t confused for browser-based digital advertising.

TAKEAWAY

Demystifying CTV’s value is key.

A third of survey respondents said CTV was too expensive, a perception that may stem from the early days of CTV when audiences were considerably smaller and networks had not yet worked out a way to prove their value. Not all respondents held this POV and some even understood that CTV and addressable were actually well priced compared with traditional linear TV. As one respondent noted, “Traditional TV rates are not adjusting to audience decline. This makes their products not as valuable to advertisers like us.”



“ Where CTV shines in comparison to linear video is that it allows marketers to reach a more specific audience versus the broad demo approach of a linear buy. ”

Jay Altschuler

VP, Media Transformation, Petco

INNOVATOR INTERVIEWS

Brand Innovators sat down with **Jay Altschuler (Petco)**, **Kevin Hamilton (Avocados from Mexico)**, and **Brad Feinberg (Molson Coors)** to discuss their take on OTT, CTV, addressable, and where they fit in the new television advertising landscape.



Jay Altschuler
VP, Media Transformation, Petco

Q Do you see a period of rapid growth for CTV advertising over the next few years?

JA: During the pandemic, consumers spent a disproportionate amount of time viewing TV via their streaming services, and we expect these habits to stick, as more than a quarter of all TV viewing

time is now spent on a CTV device.

And the majority of services also have an ad-supported tier, which bodes well for significant growth in the ad-supported streaming ecosystem. The pace of growth in advertising commitment will likely be tempered by the ability to prove the impact CTV advertising has on business outcomes.

Q What are some of the benefits of CTV advertising?

JA: Where CTV shines in comparison with linear video is that it allows marketers to reach a more specific audience versus the broad demo approach of a linear buy. CTV also allows greater insight into

a viewer's engagement with our ad, which we don't get with linear TV. CTV provides a platform for Petco to create a more personalized experience for our pet parents; we have a rich source of first-party data at Petco, which allows us to provide marketing solutions customized to what a pet parent wants and needs.

Q Do you feel that it's worthwhile to spend more money for an ad that's in a smaller pod/a show with a small ad load?

JA: The answer to that relies on how it impacts a person's experience. That's our north star at Petco—what's best for our customer is what's best for our business, and we ask our media

partners for the same. If marketers and media partners work together to build the best experience, then a higher cost/value equation will likely be realized.... Marketers will need evidence that the shorter ad loads are providing an actual benefit, such as better retention or action, to justify the cost premium before they commit their media dollars.



Kevin Hamilton
Head of Brand Marketing, Media and PR, Avocados from Mexico

Q What are some of the issues with OTT/CTV that are holding brands back from making greater use of these platforms?

KH: There's been a real gap in the ability to measure OTT/CTV and deliver the metrics that brands want to see. And until brands feel they

can fully trust the numbers they're seeing, there's going to be some hesitation. The good news, though, is that every year the capability in the space becomes a little more sophisticated in terms of delivering what we need.

Q How do you see the shift to OTT affecting linear TV spend?

KH: Linear seems to be figuring out ways to catch up—they're introducing more addressable inventory and I think the expectation

is that we will continue to move toward that one-to-one approach that we've been calling the mass personalization approach on linear. I think that's going to happen, it's just a matter of time.

Q Streaming TV platforms have much lower ad loads than traditional linear TV. Do you feel it's worth paying more for a spot if the show has fewer ads and the ad pods themselves are also much shorter?

KH: While that seems to make sense at first glance, I would want to see data that backs up the idea that ads that are in a smaller pod

automatically get better results. Same for lower ad loads. I've seen stats that talk about how placement—where your ad is in the pod and in the show itself—can have an impact, and we look at that when we run our Super Bowl ads.



Brad Feinberg
North American Vice President of Media and Consumer Engagement, Molson Coors

Q How are you defining OTT and CTV?

BF: Technically, CTV refers to a television set that is connected to

the internet and thus able to stream TV content, while OTT refers to the actual delivery mechanism for that content. But people use them interchangeably all the time when they are talking about streaming TV.

Q What do you see as some of the benefits of OTT/CTV versus linear?

BF: One of the biggest benefits is limited commercial inventory. That means you're reducing the commercial clutter that is around

your message so your spots have the ability to stand out more. Another is that viewing on streaming is more purposeful—you're not just sitting there scrolling through content like you do on linear, and because that viewing is purposeful, the consumer is staying through those commercial breaks.

Q Do you feel that it's worthwhile to spend more money for an ad that's in a smaller pod/a show with a small ad load?

BF: I think that the answer to that is different for each brand, and so

it's incumbent upon the brands to deliver the metrics to determine if the value proposition is right.

3 THAT WORKS! BEST USE CASES FOR CTV



CTV is often seen as a great way to achieve incremental reach, i.e., get in front of viewers the brand is missing on linear. Respondents seemed to agree with that, with 84 percent saying they'd use CTV for branding or reach, versus 56 percent who said they'd use it for mid-funnel targeting of prospects, and 38 percent who said they'd use it for driving purchases.

Incremental reach is no doubt why 41 percent of respondents reported that they used CTV in conjunction with a linear TV buy.

On the other hand, an even greater percentage (57 percent) reported using it in conjunction with digital advertising on desktop, mobile, and/or social, while only 20 percent reported using it with set-top box addressable and indexed cable TV.

TAKEAWAY

CTV can be a complement to digital.

While digital advertising is very much direct-response oriented, marketers understand that CTV is still television and is best used for branding, while addressable advertising can be used to target both prospects and high-value audiences. For brands that run primarily digital advertising, CTV is an excellent complement because it provides digital-style metrics while providing strong branding equity at a price that is considerably more affordable than a network TV buy.

4 OUR CRYSTAL BALL: THE FUTURE OUTLOOK FOR CTV

Marketers are still not fully sold on CTV advertising, with only 59 percent reporting that they expected their CTV budgets to increase in the next year. Of those looking to expand their CTV spend, only 16 percent expected that it would rise by over 20 percent over the next year.

When the definition was expanded to “advanced TV,” which was defined as “any TV content that has evolved beyond traditional, linear television delivery models, including Interactive TV, Connected TV, Smart TV, and Addressable TV,” the number of respondents who reported they expected their budgets to increase in the next year dropped slightly, to 50 percent.

Of those who expected their budgets to increase, the vast majority (51 percent) expected money to come from linear TV. That number was somewhat mirrored in respondents’ response to the same question about “advanced TV”—36 percent expected spend to come from linear TV, while 20 percent could not say with any certainty where it would come from.

One interesting takeaway was of brands that were not currently using CTV, an overwhelming 59 percent cited “too expensive” as their primary reason, 37 percent said it was because measurement was unclear, 30 percent said that the benefits weren’t clearly articulated by the industry, and 19 percent said they did not have the internal support or skills needed to run a CTV campaign.

With 20 percent of respondents telling us that the benefits of CTV are “not clearly articulated by the industry,” we need to do a better job of articulating those and not assume a level of understanding.

TAKEAWAY

A seismic shift is coming to TV.

Industry analysts expect a massive shift of viewers to CTV over the next few years. While there has been much talk about a “massive wave of cord cutting,” it has not yet happened at scale. That is about to change, as the combination of pandemic-induced economic uncertainty and the launch of many new multibillion-dollar streaming services (there will be nine by March 2021, six of which will have an ad-supported option) is predicted to put this shift into overdrive. Analyst firm TV[R]EV predicts that one-half of all TV ad revenue in 2026 will come from CTV.

5 DATA MATTERS: SEGMENTATION, TARGETING, AND MEASUREMENT

Most respondents were familiar with how and why they targeted specific audiences: 49 percent purchased third-party audience segments from a data marketplace, and 33 percent reported using a DMP to onboard their first-party CRM audience segments.

According to 55 percent of respondents, they also use these segments to target specific viewers on TV. Respondents were also conversant in how CTV advertising was measured, with 69 percent saying they'd used custom KPIs, and 61 percent reporting they'd used mixed media modeling. Only 17 percent had made use of ACR data, however.

Attribution (the ability to correlate purchases and website visits to ad exposure) is one of the bigger measurement trends in CTV right now, and there are many who feel that companies with rigorous data analysis are often lumped in with newcomers with less polished analytics.

Our respondents seemed to be aware of the difference, however, with more than half disagreeing with the notion that "all attribution providers are the same, there's not much difference between them."

How CTV Is Measured

69%
Custom KPIs

61%
Mixed Media Modeling

17%
ACR Data

TAKEAWAY

It's early days in CTV measurement.

Marketers and agencies understand many of the basics of CTV measurement, but education is needed on how it all fits together, how data is used and collected, and how to clear up lingering misperceptions: 20 percent of respondents still believed that there is little to distinguish one attribution provider from another, and only 17 percent were relying on ACR (automatic content recognition) data from smart TVs.

6 THE NEXT PHASE: ADDRESSABLE AND OTHER ADVANCED ADVERTISING TACTICS

There was agreement on the benefits of addressable, with 68 percent citing the ability to target customers and geographies more precisely and 44 percent citing the ability to control frequency.

Only 41 percent of brand marketers who took our survey were currently running addressable TV campaigns, and of those who were running addressable, 58 percent were running addressable on both linear and CTV/VOD, 35 percent were running on CTV/VOD only and 8 percent were running on linear only.

Cost was cited as the main reason for not running addressable, with 48 percent providing that as a reason, putting it far ahead of “doesn’t meet our needs” (27 percent) and

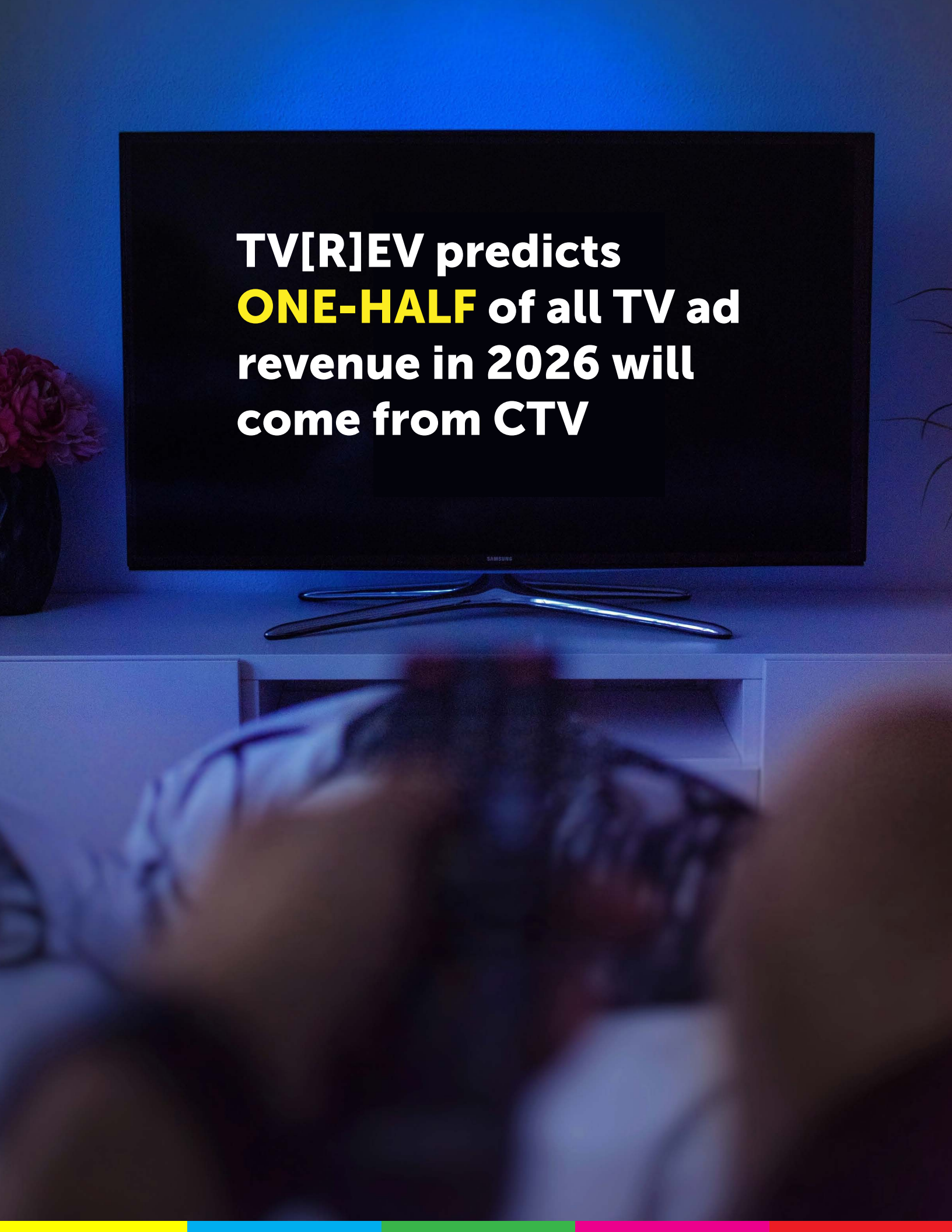
“too hard to buy at scale” (19 percent). A full 23 percent were unsure as to why they were not running addressable TV advertising campaigns.

For those who were running addressable, there was consensus on the pain points: 50 percent felt they could not get a clear understanding of campaign performance on the back-end, 47 percent cited the difficulty of orchestrating a unified TV buy across screens, and 44 percent had trouble getting a clear understanding of the audience they reached.

TAKEAWAY

Addressable is available at scale.

One of the key advantages of CTV and VOD is the ability to run addressable advertising. The ability to run linear addressable, which was once limited to MVPDs and their inventory, is now being opened up thanks to Project OAR and Nielsen, which are introducing technology that uses ACR technology on smart TVs that are attached to a set-top box to insert addressable ads on linear TV. Add in Nielsen’s recent announcement that they are expanding their measurement system to include set-top box and ACR data in order to better measure addressable advertising, and it looks like addressable will finally going to be able to achieve the scale it has thus far lacked.

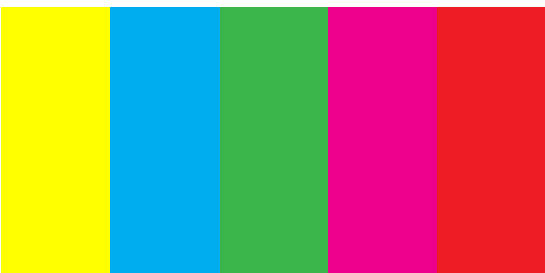


**TV[R]EV predicts
ONE-HALF of all TV ad
revenue in 2026 will
come from CTV**

THE NEXT PHASE: ADDRESSABLE AND OTHER ADVANCED ADVERTISING TACTICS CONTINUED...

Addressable Advertising Is about to Get Even Bigger

Almost two-thirds of respondents (64 percent) expected to see an increase in the use of addressable advertising over the next two to three years—only 17 percent did not.



However, they feared that a host of new standards, from linear addressable purveyors like Project OAR and Nielsen would negatively impact them in many ways: creating more complexity (52 percent), more data silos (61 percent), more difficulty in understanding viewer behavior across TV walled gardens (36 percent), and a lack of transparency (42 percent).

TAKEAWAY

Collaboration reduces friction.

While brands are excited about addressable advertising and would like to allocate more budget to it, they are still in need of information around how it all works. Announcements from Nielsen and Project OAR would seem to indicate that the companies involved are working to reduce friction—they've recently announced they would be working together on measurement and Nielsen would be using Inscope ACR data.

7 THE FUTURE OUTLOOK FOR ADVANCED ADVERTISING

Respondents clearly have a positive view of television, with more than 60 percent saying it's a more premium, engaging, and brand-safe environment than digital video.

62% More premium, engaging, and brand-safe environment than web video

13% Unsure whether it was more premium

25% Disagreed

The key justification for this perception was that ads on TV appear next to professionally produced episodic content (57 percent). The higher quality of talent associated with TV (31 percent) and the fact that advertising breaks were built into TV episodes—versus appearing randomly as pre- and mid-roll ads on digital video (31 percent)—were also cited as key reasons. One respondent noted “pre-roll and mid-roll videos are terrible user experiences.”

While survey takers had previously mentioned cost as one of the issues holding them back from buying CTV and other data-driven TV advertising formats, slightly over half (52 percent) believe that as CTV usage grows and more brands get involved, the industry will develop more low-cost ways for advertisers to run ads on TV.

TV commercials were also deemed to be more effective because they were more memorable. Fifty-five percent agreed that “People who might not remember digital ads they saw 20 seconds ago will

remember TV commercials they saw 20 years ago,” while only 19 percent disagreed.

The reduced ad loads on CTV were not seen to be as valuable as many in the industry feel they are: Only 9 percent of respondents said they'd pay more to run on networks that limited their hourly ad load to seven minutes or less (that's less than half the 15 minutes per hour found on traditional linear TV). That number jumped to 25 percent if the hourly ad loads were five minutes or less, or even three minutes or less.

The remaining respondents are still on the fence—over half (53 percent) were not sure if they'd pay more for reduced ad loads.

Finally, a solid majority of respondents (80 percent) felt cross-platform advertising—defined as linear TV, CTV, and digital video—was either very (48 percent) or somewhat (32 percent) important to their future plans.




“ CTV is already in a period of rapid growth, and there is no doubt that it will continue to accelerate. ”

Brad Feinberg

North American VP of Media and Consumer Engagement, Molson Coors



8 WRAP UP




As CTV, addressable, and advanced advertising are poised to play a major role in the TV advertising ecosystem, there is still a layer of confusion as to their definition, their value, their purpose, how they are measured, and how easy they are to buy at scale.

While many marketers are very familiar with these tactics and have become major advocates for their use, there is a sizable minority who has thus far avoided using and fully understanding these tactics and are in need of education. The goals should be to both allow brands and agencies to take full advantage of this rapidly growing ecosystem and to turn them into evangelists as well.

In order to do so, the industry will need to do a better job of explaining CTV, addressable, and advanced advertising, providing case studies and other tangible benefits of their value and justification for their cost structures.

At the same time, progress needs to be made on making it easier for brands to achieve scale, implement frequency capping, and make measurement more transparent.

The time has come for these tactics to become part of the mainstream, as we now have an audience that is (mostly) ready, willing, and able to take advantage of them.



About

Brand Innovators

Where Brand Marketers Come to Learn, Share and Connect

Established in 2011, Brand Innovators is a community of over 25,000 senior brand marketers from Fortune 500 and other leading brands from coast to coast, making it the largest professional network of its kind. The Brand Innovators community includes some of the most innovative and influential marketers in the industry, as well as more than 100 “best-of-breed” media and advertising technology companies,

from TikTok and Snapchat to ViacomCBS and WPP.

The Brand Innovators Advisory Board includes some of the most innovative brand marketers and “change agents” in the marketing and media industries.

For more information, please visit www.brand-innovators.com.

Cadent

The Largest Independent Platform for Advanced TV Advertising and Monetization

Cadent powers the evolution of TV brand advertising. Cadent provides marketers, agencies, operators, and media owners with data-driven solutions for buying and selling TV advertising. By connecting brands with national TV audiences across cable, broadcast, and digital media, Cadent’s technology improves efficiencies and boosts the results of

linear, addressable, and cross-screen campaigns. Cadent’s national platform provides access to 100 million households, including more than 65 million addressable households, more than 200 TV service providers, and 1,000 broadcasters.

For more information, visit www.cadent.tv or follow @CadentTV.

METHODOLOGY

This report is based on the results of a comprehensive survey undertaken by Brand Innovators and TV[R]EV that was sent out to over 15,000 leading brand marketers between June and August 2020, as well as follow-up interviews with select respondents.