A Buyer's Guide to the New Living Room

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Executive Summary

THE NEW LIVING ROOM IS A HYBRID ENVIRONMENT, HOME TO THE BEST OF LINEAR AND DIGITAL TELEVISION.
While viewers are increasingly choosing to build their own schedules—comprising a blend of live, on demand and DVR—they tend to gravitate towards the best (and usually largest) screen possible.

FreeWheel's Video Monetization Report shows that with every quarter, increasing volumes of digital and dynamically delivered video advertising is accessed via set top boxes (STB) and over-the-top (OTT) devices on the big screen. This now accounts for 57% of non-linear impressions in the US and 30% across Europe.

As a result, the living room is not only the point where traditional TV viewing and online content converge, but also the center of a multi-viewer experience. With numerous members of each household gathered around a single TV set, the potential for ads placed within premium digital video and broadcast content is vast.

The power of TV, in all its incarnations, to drive advertising impact is greater than ever. Yet, so far, it remains under-utilized by many advertisers. As TV evolves, knowledge and capabilities across the value chain must evolve too.

This guide is intended to help planners and buyers of media, across both linear and digital backgrounds, navigate the opportunities that the new living room creates for marketers, and provide tactics for overcoming some of the perceived barriers to investment.

Key Takeaways

Become a subject matter expert in the new living room to gain advantage for your clients while these channels are still nascent and growing

Create a plan using complementary channels to balance reach and precision, leveraging the common and unique attributes of each

Work through measurement hurdles and leverage the tools and KPIs that are available to access these engaged yet underserved audiences

Personalize messaging and manage frequency through addressable options with creative diversity on all campaigns delivered to the new living room

Optimize for scale by adjusting your KPIs per platform as necessary, such as viewability targets in channels that aren't able to be measured

Keeping Pace with Viewers' Habits

HEADLINES WOULD SUGGEST THAT TV IS DEAD, OR AT LEAST ENDURING A SLOW DEATH.
The reality is that TV viewing simply looks very different to what it was three years ago, let alone ten. How we define "TV" is still being debated—whether the content, device or pipe that presents it to the viewer—but one thing is clear: with the proliferation of devices now powering TV content in the home, the living room dynamic has changed.

This means that the advertising industry must adapt and essentially catch up with the viewing habits of the modern consumer. Unfortunately there have been legacy organizational, technology and measurement challenges that have prevented advertising from following the audiences.

With increased living room viewing and addressability capabilities, advertisers should be following eyeballs and using tools and tactics to work around the technology limitations that exist today. By doing so, you are able to better capture reach and precision opportunities in the most compelling advertising environment: premium video.

The Living Room is Premium Video

Unlike much of the wider digital video sphere, content consumed in the new living room —frequently on connected TVs via broadcast and cable video on demand (VOD) and OTT platforms—is far more likely to be professionally produced, brand safe, and part of a curated user experience. In short, it embodies five key attributes of premium video:

Brand Safety	Engagement	Transparency	Trust	Quality Reach

Premium video is governed by the same **stringent regulations** as linear TV designed to protect consumers and advertisers, providing a secure, fraud-free environment where ads only appear beside content that upholds brand values.

VOD and OTT empowers consumers to choose what, when and how they watch. Studies have shown that **attention is higher** and attitudes towards both content and ads are highly positive.

In premium environments, stakeholders need to adhere to **robust compliance processes** so they know who they are trading with, where ads will be delivered, what deal terms are and how much inventory costs.

As premium video content is closely linked to TV—especially broadcast VOD and OTT—it is **built on trust,** thereby enhancing receptivity to ads. Trust also comes from being willing to support third party audience measurement and attribution, as well as brand and campaign-specific reporting across publishers.

The rising popularity of premium video viewing devices such as OTT means that overall **TV consumption in the new living room is actually growing,** enhanced by co-viewing on the large screen.

The Value of the Living Room

Despite the clear quality of premium video, agency planners and buyers are often challenged to reach its inherently engaged, valuable audiences. Organizational and technological hurdles, short-term business goals or concerns about potentially high costs can prevent budget allocation to premium video. This can often be to the benefit of lower quality digital media that comes with a lower price tag but with inferior results and hidden costs to the brand.

While premium video may seem more expensive, its ability to fuel short- and long-term brand outcomes outweighs cheaper, less reliable or impactful impressions.

Specifically, premium video achieves superior levels of attention—critical for impactful advertising—and completion. For instance, a study by UK broadcaster Channel 4 indicates attention levels for VOD are 3.5 times greater than popular digital video platforms. A study by Ipsos and Thinkbox found 58% of people believe TV is a place where they are most likely to find advertising that makes them feel emotional (vs. social media at 9%). FreeWheel's Video Monetization Report Q2 2018 also found that completion rates for mid-roll premium video ads hit 98% in the US and 96% in Europe.

Additionally, premium publishers and operators are working to enhance advertising. Aware that adapting ads to their context and viewer preferences is vital for audience satisfaction, many are building options where ad format, placement, size, length and frequency can be adjusted. With better tailoring, buyers therefore have a greater chance of engaging their target audiences with seamless messaging that resonates on a personal level.

Data Comes to the Television Set

Siloed systems and broad reach ad campaigns have historically limited TV to top of funnel goals, but now data integration is broadening horizons. Not only has premium video brought audiences back to the big screen, but the union of TV and digital sophistication has created a range of audience-centric advertising opportunities.

Chief among these are the opportunities offered by the ability to gain insights derived from household-, individual- or device-level data. This includes anonymized viewing and ad exposure data, so as to enable an understanding of de-duplicated viewing, deterministic reach and frequency, as well as supporting more granular audience measurement and attribution capabilities. In addition, these data sets can be combined with first and third party data to enable campaign-specific, audience-based planning, targeting, measurement and attribution.

Data combined with addressable TV ad technology merges the best of traditional TV scale with digital's data-based targeting, enabling more dynamic video marketing channels such as STB VOD and OTT services. Buyers can now access inventory that is precisely matched with audiences using household (HH), first party and third party data, going beyond brand awareness to reach viewers at every stage of the purchase funnel. What's more, they can also use data collected about interactions with addressable and connected services to close the loop and more accurately attribute the advertising impact on business outcomes.

TV and audience habits are changing, and if agencies and buyers want to keep pace with modern viewers, an understanding of these shifts is crucial. This guide takes a deeper look at the challenges and possibilities of the new living room and the best practices required to master it.
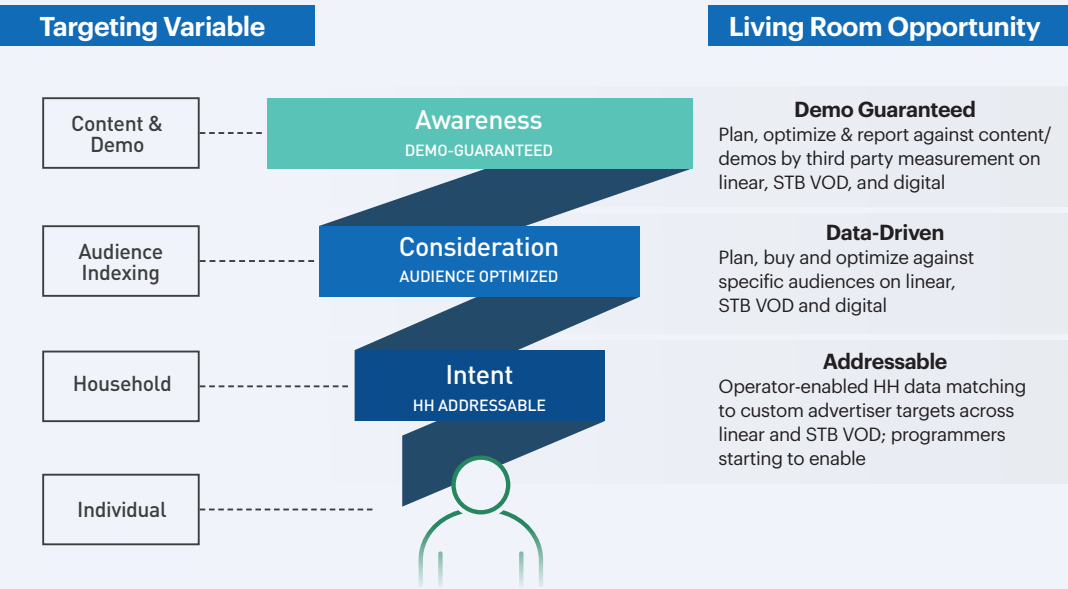
The New Living Room Opportunity

Taking advantage of premium video on the big screen

AS TV AND PREMIUM VIDEO BECOME MORE SOPHISTICATED AND TAKE THE BEST OF LINEAR and digital to deliver quality audiences at scale, the opportunity of the new living room can deliver results for advertisers today. No longer just a top of the funnel channel, with enhanced addressability, marketers can now push consumers down through the funnel with tailored messaging.

CHART 1

**The New Living Room Opportunity:
Driving Results Through the Purchase Funnel**

Targeting Variable		Living Room Opportunity
Content & Demo	**Awareness** DEMO-GUARANTEED	**Demo Guaranteed** Plan, optimize & report against content/ demos by third party measurement on linear, STB VOD, and digital
Audience Indexing	**Consideration** AUDIENCE OPTIMIZED	**Data-Driven** Plan, buy and optimize against specific audiences on linear, STB VOD and digital
Household	**Intent** HH ADDRESSABLE	**Addressable** Operator-enabled HH data matching to custom advertiser targets across linear and STB VOD; programmers starting to enable
Individual		

What is stopping advertisers from investing more heavily in the big screen?
Beyond audience targeting and measurement, which we explore in-depth later in the guide, here are some of the macro investment barriers that apply across all channels, tactics that can be applied as workarounds and some perspectives on where we are as an industry:

1. Organizational Silos

Both buyers and sellers of premium video have been increasingly combining teams and disciplines to think about treating TV and digital video holistically.

There is a challenge in that OTT, STB VOD and Addressable Linear sit somewhere between Digital and Linear, so buying teams and budgets may be different per channel, per agency. The silo effect has implications on not only budget allocation and sales channels, but also currencies and buying techniques.

Today, the vast majority of OTT is bought by digital buyers but as a reach extension to linear, there needs to be tight coordination among teams.

STB VOD is traditionally bought by linear TV buyers, who are used to buying ratings (GRPs) but as this starts to look more like digital, there will be a need for more digital-like knowledge and tactics (e.g. programmatic).

Addressable Linear is nascent and seems to fall into either category, or like all of these channels, into advanced TV buying groups with many still using test budgets vs. integrated buying budget responsibility.

Proprietary technologies across broadcast platforms and digital third parties are preventing seamless media buys.

There is plenty of education and organizational development to go, and there is a need to create a common language, technology platforms and transactional currencies.

In the meantime, we recommend ongoing education efforts for both linear and digital experts, look to consolidate where it makes sense (buying efficiencies, audience targeting strategies) and keep separate where the barriers are too significant.

Closer collaboration between buying teams and with the sellers themselves enables the right mix of channels for each campaign, and to allocate budget both upfront and mid-flight to drive optimal delivery.

2. Frequency Capping

One of the major technology gaps for holistic video investment is measurement and tracking across devices and that ties into cross-screen frequency management.

Frequency capping is an industry goal that is looking more realistic as developments in the creation, passing and management of device IDs—combined with advanced identity management services—enable platforms to control frequency in a more sophisticated way.

Developing diverse creative versioning to minimize repetition from a messaging perspective can take advantage of personalized viewing experiences, different viewer mood states and other addressable advertising opportunities.

Working with publishers who have dynamic ad pod management to prevent repetition is also key to favorable consumer experiences and better results.

3. Scale

Fragmentation of viewing across devices and services has made it more challenging for advertisers to find scale with individual providers, but every programmer and Multichannel Video Programming Distributor (MVPD) is aimed at re-aggregating that reach across all properties and endpoints.

With more viewers accessing premium content in the living room and more inventory becoming available, supply is increasing, platforms are aggregating inventory, and publishers are becoming more open to programmatic sales channels, leveraging deal IDs.

Combining sources is still necessary to drive reach, but increases in volume and efficiency will continue to make living room media more attractive for advertisers looking for valuable audiences at scale.

Limiting targeting at the outset of a campaign to achieve reach and scale and then layering on targeting over time can be a useful tactic to achieve the balance of scale and precision.

4. Supply Partners

Dealing directly with premium publishers ensures transparency and reduces risks of latency and brand risk that is rife on open exchanges and lower video quality sources.

Understand your partner's infrastructure: where the publisher's SSP is set up to compete against direct sold campaigns, there are increased opportunities for buyers to scale their premium supply.

OTT, STB VOD and Addressable Linear are relatively new advertising channels. Whether transacting direct or via programmatic channels, troubleshooting can be required from time to time. By working with publishers who have close relationships with both their SSP and DSP partners, you can troubleshoot issues in real time and resolve them more efficiently.

Working with publishers who require users to authenticate via their cable providers' to watch shows on their OTT apps not only helps to ensure quality ad environments and human viewers, it can also sometimes open up additional targeting opportunities against publisher first party data (via login and device usage information).

Reporting with premium video providers can increasingly be enabled via a "bundle id" to aggregate domain level content, providing greater level of transparency and granularity of programming and trust.

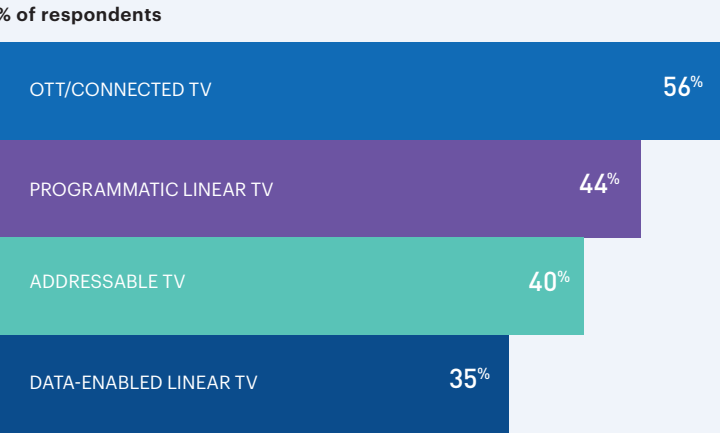# The Advanced TV Landscape

OVER-THE-TOP

STB VOD

ADDRESSABLE LINEAR

THERE ARE MULTIPLE TERMS USED TO DESCRIBE THE DIGITIZATION OF TV. TO KEEP THINGS SIMPLE, this guide uses two terms—**Advanced TV and Addressable TV**—to capture the broader opportunity for marketers as well as more precise, targeted opportunities respectively.

Advanced TV is an umbrella term used to describe TV content that is delivered beyond traditional linear television. From an advertising perspective, these technology advancements have enabled new digital-like capabilities and impression-based delivery to be applied to premium video advertising opportunities. In other words, Advanced TV advertising refers OTT, STB VOD and the various flavors of targeted linear TV.

CHART 2

Advanced TV Formats in Which U.S. Agency and Marketing Professionals are Making Significant Investments

Dec 2017

% of respondents

Format	%
OTT/CONNECTED TV	56%
PROGRAMMATIC LINEAR TV	44%
ADDRESSABLE TV	40%
DATA-ENABLED LINEAR TV	35%

eMarketer

Source: Advertiser Perceptions, "2018 Video Advertising Convergence Report," May 30, 2018

Addressable TV advertising is the use of technologies to enable individual advertisers to selectively segment TV audiences and serve different ads within a common program or navigation screen. This can be applied to live or VOD environments and has the opportunity to open up television to an expanded set of marketers seeking specific audiences.

Through the application of data from advertisers, third party and/or TV provider, addressable TV enables advertisers to access more precise audiences beyond traditional age and gender.

Segmentation can occur at geographic, demographic, behavioral and (in some cases) first and third party data-matched household levels, through cable, satellite, and Internet Protocol television (IPTV) delivery systems. Benefits include:

- **Greater efficiency** (waste reduction)
- **Enhanced ROI reporting** and brand impact analysis
- **Improved consumer experience** supported by impression-based delivery, which offers unprecedented control of linear frequency.

Addressable Homes

There are over 50 million OTT households in the US today and approximately 64 million addressable TV households across the largest MVPDs, creating the opportunity to deliver ads and content on a one-to-one basis via advanced set-top boxes and the application of first and third party data.

TELEVISION PROVIDER	LIVE/LINEAR	VOD
COMCAST	12MM*	19.5MM
DIRECTV	15.5+MM	N/A
Charter Spectrum	N/A	10MM
dish	9MM**	N/A
fios	4.5MM	N/A
COX	N/A	3MM
altice	2.3MM	N/A

Ranked by total size of addressable homes
Source: IAB's 'A Guide to Advanced TV Targeting', Feb 2018 (TV providers shared updated stats as of Feb 2018);
*Comcast Live/Linear homes are a subset of Comcast VOD homes **DISH includes Sling TV

As the ecosystem gets more sophisticated with the application of data and delivery of advertising into all video channels, the addressable TV market will increase dramatically. According to eMarketer, Addressable TV ad spending (HH targeted ads including VOD) is estimated to grow to $3.37 billion in the US by 2020.

CHART 3

U.S. Addressable TV Ad Spending
2016-2020 (in Billions)

% Change

2016	2017	2018	2019	2020
$0.76	$1.22	$2.06	$2.54	$3.37

84.8% 60.8% 69.1% 23.3% 32.7%
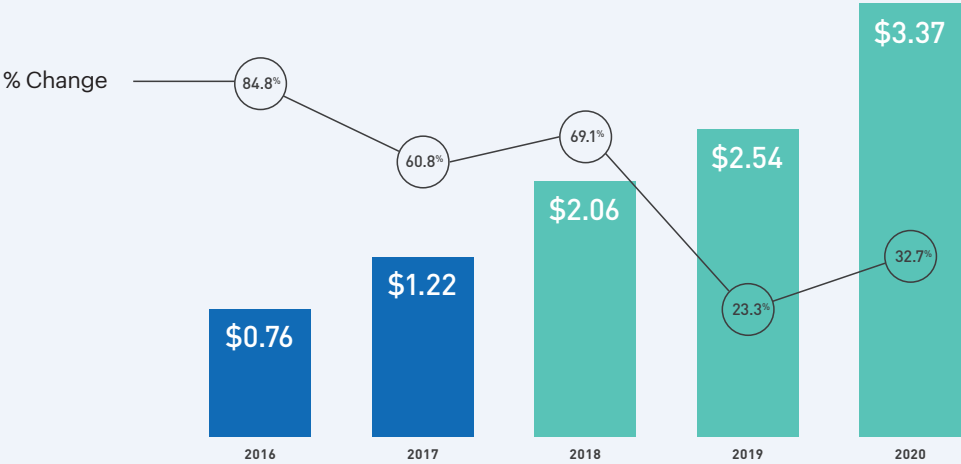
eMarketer™

Note: Includes targeted TV ads delivered on a home-by-home basis via cable and satellite boxes; includes video-on-demand (VOD); excludes connected TV, smart TV and over-the-top (OTT)
Source: eMarketer, July 2018
Methodology: Estimates are based on the analysis of various elements related to the ad spending market, including macro-level economic conditions; historical trends of the advertising market; historical trends of each medium in relation to other media; reported revenues from major ad publishers; estimates from other research firms; data from benchmark sources; consumer media consumption trends; consumer device usage trends; and eMarketer interviews with executives at ad agencies, brands, media publishers and other industry leaders.

Over-The-Top

Definition

The IAB defines OTT as a device that can connect to a TV (or functionality within the TV itself) to enable IP-delivered video content, such as streaming boxes, media streaming devices, smart TVs and gaming consoles.

For the purposes of this guide, we will be referring to OTT as all ad opportunities running across those devices through any kind of IP-enabled service delivering video content, with a specific focus on the premium end of the content spectrum. Connected TV (CTV) is also synonymous with OTT as any television screen that has those IP-based services enabled.

OTT Apps & Services
(Examples)

Broadcaster, cable and digital video apps
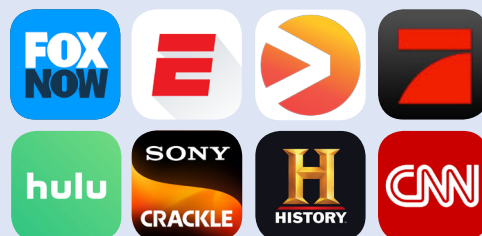
Digital TV streaming services

The Opportunity

With audiences either complementing or shifting away from linear tv viewing, there is a big opportunity to follow and reconquer these audiences on OTT platforms, maximize reach and address consumers in a more personal and engaging way.

OTT spending numbers are hard to definitively state but according to Tru Optik's estimates, US OTT/CTV ad revenues are projected to hit $8.2 billion in 2018, and as high as $20 billion by 2020 (and approximately $50 billion globally).

CHART 4

Advertisers Increasing Investment in Connected TV
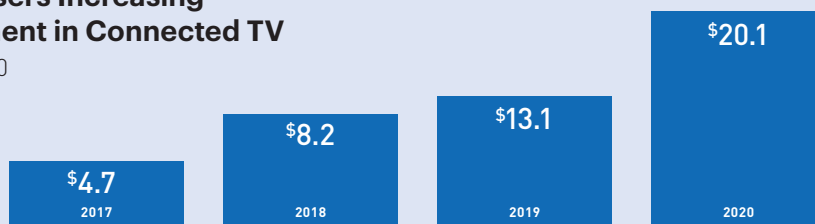2017–2020

Connected TV Ad Revenues ($ Billions)

$4.7 **2017**	$8.2 **2018**	$13.1 **2019**	$20.1 **2020**

Source: https://www.truoptik.com/ott-infographic-findings.php

CHART 5

Connected TV Ad Spending in Select Contries in Western Europe
2016 vs. 2020 (in Millions €)

U.K.*
€125
€250

GERMANY
€50
€125

SPAIN
€45
€105

FRANCE
$35
€240

ITALY
€10
€105

● 2016 ● 2020

Notes: Ads served with professionally produced, rights-based TV content that are delivered via the open internet to connected TVs; includes smart TVs, streaming media devices (e.g., Amazon Fire TV, Apple TV, Chromecast, Roku) and game consoles; excludes ads delivered to connected TVs through pay TV set-top boxes that only provide access to managed networks;

*Converted at the exchange rate of £1=€1.15

Source: MTM London, "The Connected TV Advertising Opportunity in Europe" commissioned by SpotX, Sep 8, 2017

There is an incremental reach opportunity for advertisers as OTT viewing patterns mirror traditional TV, with peak times of usage coming at primetime hours. This is further evidenced by the fact that according to the FreeWheel Video Monetization Report Q2 2018, 48% of OTT viewing is live content.

This emerging viewing behavior is fueled by the growth across the many OTT/ CTV devices available today, and familiarity with streaming services offering advertising-supported content, through specific content providers or virtual MVPDs.

CHART 6

Share of Time Spent Viewing Over-the-Top (OTT) Video Worldwide, by Device

Q1 2017 & Q1 2018

	Q1 2017	Q1 2018	% GROWTH
Smartphone/Tablet			
Android	**10.2**%	**16.5**%	**243**%
iOS	**13.3**%	**11.3**%	**80**%
Desktop			
Mac, Chrome, Windows	**30.1**%	**17.5**%	**23**%
TV			
Apple TV	**1.4**%	**5.4**%	**709**%
Chromecast	**3.7**%	**2.5**%	**41**%
FireTV	**2.4**%	**5.7**%	**411**%
PlayStation	**6.2**%	**8.0**%	**175**%
Roku	**26.3**%	**23.1**%	**87**%
Samsung	**1.1**%	**1.8**%	**271**%
Xbox	**3.6**%	**6.1**%	**259**%
Other Smart TV	**1.7**%	**2.0**%	**151**%

eMarketer.

Note: Represents activity of the Conviva paltform, broader industry metrics may vary; includes movies, episodic TV shows, live linear TV and live sports; total viewing hours in Q1 2017=$2.24 billion and Q1 2018=$4.79 billion; numbers may not add up to 100% due to rounding
Source: Conviva, * All-Screen Streaming TV Census Report Q1 2018, * April 25, 2018

Audience Targeting

- **Device IDs (a unique ID assigned to each OTT device) can enable targeting by device,** giving advertisers more abilities to leverage their first party data or a data management platform (DMP) to reach their identified audiences. Working with publishers who can share these IDs will open up opportunities for advertisers and in most cases, the IP address of the OTT device is provided, paving the way for cross-device, household targeting.

- **The introduction of the Identifier for Advertising ([IFA](#)) on OTT, the IAB standard device ID (anonymized), will enable enhanced targeting, measuring and frequency capping** and if adopted, holds promise for advancing scale and consistency for the OTT channel.

- **In the near term, many publishers (traditional programmers and OTT content players) have rolled out addressability for OTT at scale through technology and data partners**—ask questions of your publisher partners to unlock those opportunities.

- **Today, there are several parameters that buyers can take advantage of to more accurately target their audiences when buying OTT inventory**, either directly or through a Demand Side Platform (DSP), including geo, device, daypart, channel, and custom targeting—provided by the publisher when setting up a deal ID, such as show genre or "legal drinking age" compliance.

Measurement

- **Content providers in the OTT space offer audience counts based on streaming activity** logged on their own servers. However, these numbers cannot be directly compared with standard linear TV viewing actuals due to differences in data collection and reporting methods.

- **As a digital and impression-based medium, the lack of common currency or equivalency to linear GRPs in the OTT space** can restrict linear or total video budgets shifting to these audiences (and does not account for co-viewing today).

- **However, third party measurement providers are addressing the need for better measurement in this environment** as part of cross-screen measurement capabilities.

> **Two prevailing tactics for OTT proxy measurement beyond impression delivery:**
> 1. Apply desktop/ mobile demo comps
> 2. Apply linear demo ratings (although this tends to be more common for STB VOD)

- **While side-by-side linear and digital reporting is necessary, managing expectations of advertising clients about the shortcomings of measurement is vital** to ensure that there are no surprises in reporting and KPIs.

- **OTT apps were not designed to allow third party measurement scripts** (e.g. VPAID) to avoid risks to the viewing experience (if a script fails to run properly), so viewability measurement tags that work on other screens do not work on connected devices.

- **Where viewability metrics are non-negotiable, verification providers are increasingly providing proxy metrics for OTT.** A strong alternative metric for viewability is ad completion rates and DSPs can provide detailed reporting insights into ad completion rates (View Through Rates—VTRs) on OTT.

- **When buying through a DSP, it is recommended to remove any viewability requirement or target,** as measurement cannot yet be accomplished at scale.

At FreeWheel, which runs digital premium video ads for the sell-side, VTRs on OTT are the highest seen across the platform (98% vs 84% on desktop—FreeWheel Signature Insights Vol 1, 'The Power of OTT: Audiences and Engagement').

OTT Buying Tactics

Test and buy as many sources of OTT as possible to get ahead of the curve.

Gather and share new insights about your advertiser's audiences with your publisher partners, and apply learnings in a collaborative way to future buys.

Look at premium video OTT through the lens of linear and buy day parts (primetime, late night etc.) to help drive volume/ content and brand affinities/ demo indexing etc.

For live programming on OTT, there is a need to understand the nature of expiring inventory: planning, forecasting and execution needs to be adjusted accordingly.

For programmatic access to live content on OTT, there are often challenges around handling concurrency and verification—work with partners who are more familiar with managing live TV-buying and who work closely with the TV providers themselves.

Set Top Box Video On Demand

Definition

On demand programming via MVPD / PayTV Operators with dynamic ad insertion enabled to take advantage of Household (HH) addressable capabilities.

Catch-up or on demand viewing has become a core viewing type for many consumers as programmers and MVPDs have created extensive libraries of content. It has never been easier for viewers to access the content they want on the big screen, and never been easier for advertisers to access those viewers in a lean-back, engaged environment and who have proactively opted into that content.

The Opportunity

According to the FreeWheel Video Monetization Report, Q2 2018, STB VOD viewing has grown significantly over the past few years, representing 19% of viewing in Europe and 16% in the US.

STB VOD drives incremental reach on top of live linear shows, with some shows delivering as many impressions in days 2-7 as they did on the live broadcast.

CHART 7

Percentage of Transactions Occurring By Day

DAY 1 DAY 2 DAY 3 DAY 4 DAY 5 DAY 6 DAY 7 …

77% of all free VOD viewing occurs outside the C3 window

Source: Canoe Ventures, 2017

Due to the dynamic nature of STB VOD advertising, it is often treated as digital but today it doesn't act like digital. STB VOD is starting to move up the digital curve, with programmatic capabilities being enabled and creative delivery becoming more standardized and efficient.

Addressability opportunities today are based on cable operators household data and there are ongoing discussions with programmers to enable this data to make more inventory addressable. Trials are in progress with multiple MVPDs today.

Audience Targeting

- **STB VOD is often used as an extension of linear buying** based on context and linear compositional demographic equivalency.

- **In the US, STB VOD tends to be sold more contextually today,** but by using HH addressability via MVPDs, there is an untapped opportunity in terms of customized advertising dynamically inserted into quality VOD programming.

- **US buyers should also be aware of possible duplication within content** if buying across both programmers and MVPDs, and work with technology partners to establish buying rules and exclusivity.

- **In Europe, countries are at different stages of evolution**: in some countries, investment has been held back due to complexity and return to broad/ linear type audiences; buyers applying the additional effort are rewarded with valuable audiences in an engaged environment.

- **Programmatic buying of VOD is relatively nascent due to infrastructure challenges** but progress is being made here, and will allow more specific targeting.

Measurement

- **There is an opportunity for buyers and sellers to bundle STB VOD with linear and OTT.** Tactics and currencies will differ depending on the legacy buying focus.

Digital buyers: for STB VOD, third party tracking capabilities that rely on tags placed within the ads are not possible today. However, check with your partners (publisher and ad server) to determine if a proxy is available based on impression data.

Linear buyers: if you consider STB VOD as an extension of linear and apply the same compositional demographics to viewership, you will reaggregate reach, based on the fact that these households did not see the programming at the time of airing.

- **There have been some attempts to solve VOD measurement in the past but there was not widespread adoption,** as buyers and sellers seemed comfortable to use linear or digital currencies as proxies for delivery.

- **Today, measurement is reliant on operator data** and third party measurement companies are working on solutions to include STB VOD in their cross-screen measurement techniques.

- **In the meantime, working with publisher partners, whether programmers or operators, on a currency that aligns to linear or digital comps** will enable advertisers to take full advantage of a 100 percent viewable, mostly non-skippable, fraud-free advertising environment, with viewers fully engaged in content that they have opted into watching.

STB VOD Buying Tactics

Take advantage of the under-utilized opportunity of STB VOD; overcome some of the measurement barriers with simple proxy application and/ or compromise on verification to drive results.

The ability to target and personalize at the HH level increases ROI, which means that advertising becomes much more cost effective and enables new advertisers to step into TV with lower financial commitments (Sky AdSmart in the UK is a good example where over <u>70 percent</u> of the thousands of advertisers that have used the solution are new to TV).

STB data can be overlaid on top of third party panel data and through a data match, buyers can access the most relevant shows related to their target audience.

Demographic studies have shown STB VOD viewers to skew, younger, more affluent and more educated, so advertisers can unlock unique, desirable audiences through this channel.

Linear buyers: Including STB VOD as part of your overall buying plan can help manage delivery and liability, as well as inform future budget allocation

STB VOD can be seen as a vital supplement to a traditional TV buy:

- **An increasing number of viewers are choosing to watch their shows outside of the live window.** In the U.S. more than <u>42 percent</u> of all time-shifted tv viewing occurs through a STB.

- **Creating a buying plan that includes STB VOD, enables advertisers to extend reach** to those fragmented audiences while applying efficiency to a traditional linear TV plan.

Addressable Linear

Definition

Delivery of an ad through a linear stream, based on HH data, either via a split or full avail:

1. **Split Avail:** delivering a specific audience segment on an impression basis across those HH's that qualify (other HH's receive alternate ad or broadcast/ cable linear advertising).

2. **Full Avail:** entire avail is delivered by a single advertiser with multiple creative versions based on HH audience and location characteristics.

Technologically, there are different approaches to addressable ad delivery, combining the multicast environment of linear TV with the unicast requirements of addressable advertising.

Some STBs come with a hard drive that caches the ads locally, and the STBs then insert the ads into the video stream. Another approach is to stream the ads live either via the IP connection of the STB or via QAM (standard cable encoding/ transmitting) through a "black channel," i.e. without having to download the ad creatives to the STB. This enables targeting as well as full tracking of the ads via the system or a third party measurement specialist.

The Opportunity

There has been a foundational shift to the extent that all linear devices are coming into the addressable space, and there are over 43 million households that have linear addressable capabilities in the US.

Broadcast standards are evolving in the US (ATSC 3.0) to enable better quality, more linear/ local stream access via mobile devices and crucially a bi-directional flow of data so that households and IP addresses can be matched to linear viewing, which opens up more addressability options.

Viewing patterns and technology developments are changing the advertising landscape. The chart below shows how addressable advertising across linear and time shifted TV will become a larger slice of overall ad minutes available, with a 21 percent incremental addressable opportunity predicted by 2022.

CHART 8

Ad Minutes Viewed by Type
(Percent)

2016

| 86% | 8% | 5% |

2022

| 64% | 6% | 7% | 9% | 14% |

● Linear TV ● Timeshift TV ● Linear TV (Addressable) ● Timeshift TV (Addressable) ● Online Video (Addressable)

Source: Mindshare, via comScore and Broadcasters Audience Research Board

In Europe, the Hybrid broadband tv (Hbbtv) initiative is bringing new opportunities by allowing interactive applications and ad overlays on the screen. Ads can be targeted based on geography, time of day or contextually, for example. The technology is gaining a lot of traction in Germany and Italy in particular. While in Germany almost half of all households are receiving addressable TV ads, addressable TV is still in its infancy across the EU, but there is growth and it is expected that in the UK, over 5% of watch time will be available through addressable TV by 2022. It should be noted that in France, there is currently regulation prohibiting targeted advertising on broadcast TV.

Audience Targeting

- **Through MVPD viewing data, advertiser first party data and third party data sources,** advertisers can use deeper insights to find valuable, target audiences at the household level.

- **MVPDs provide a combination of local and national** opportunities that can be targeted down to DMA and zone-level geographic locations, based on household data.

- **Addressability also enables rich demographic categories** based on content and household dynamics to be matched to third party data providers to target specific, valuable segments further down the purchase funnel.

- **With addressable TV you reach only the audience you want,** but there is a balance of reach versus precision to attain. Audience-based targeting (i.e.viewers that index high on a certain characteristic) is increasingly being utilized in the linear space to cast the net wider and fuel the purchase funnel.

- **For campaigns that have two or more creatives with specific audiences in mind,** addressability enables advertisers to tailor ads and messaging to intended audiences, with as many as 4-5 different copy splits; results can optimize as well as inform future campaigns.

- **Addressable Linear creates segmentation opportunities and the ability to provide de-duplicated reach through a device graph.** As digital broadcast standards evolve, enabling data to be sent both ways, there will be many more addressable opportunities.

- **From a programmer's perspective, OpenAP is an example of data-driven linear and a step toward addressability moving towards scale and maturity** with standardized audience segment definitions, enabling consistency across multiple sources.

Measurement

- **Buying audiences is traditionally measured on an impression basis,** and reconciliation is treated similarly to digital (i.e. alignment of publisher and advertiser delivery records).

- **Linear buyers want simplicity** and to seamlessly tie their standard linear delivery to addressable campaigns: third party measurement providers are offering more aligned measurement and can be enabled by the sell-side.

- **Digital buyers are comfortable with impression delivery and increasingly want programmatic access** while using their own third party digital measurement providers.

- **Robust reporting capabilities are offered by MVPDs and programmers** including campaign, network, device and stream performance, as well as back-end attribution metrics.

Addressable Linear Buying Tactics

- **Addressable linear TV should not be seen as a silo;** combined with OTT and digital video it will provide greater reach than with traditional linear only.

- **Expand reach across the greatest set of cable networks** (in the US, just under 50% of total cable TV minutes are outside of the top 20 cable networks, according to Nielsen).

- **Test and learn:** too often advertisers run a national TV spot to an addressable audience without making it personalized to that audience. Maximize efficiency by allowing various creatives to run for different audiences.

- **Some video technology specialists have been developing new addressable linear opportunities** by overlaying household-targeted ads on purchased linear inventory designated as "replaceable." Marketers and broadcast companies have agreed that in households where there is a smart TV connected to the internet, such ads could be replaced with targeted addressable ads in exchange for other inventory of equal value at a discounted rate (non-smart-TV homes will always see the underlying spot).

- **One key benefit of expanding to a programmer plus operator approach to addressable linear** is the ability to execute on both national and local broadcast TV, widening the addressable opportunity.

- **Align tactics across your organization:** with addressability options across linear, STB VOD, OTT and other digital channels, working more systematically internally will help manage reach and frequency as well as the consistent application of audience data to deliver on a holistic plan.

Conclusion

GLOBALLY, 81 PERCENT OF PEOPLE USE THEIR TV SET TO WATCH BROADCAST TV at least once a month, making it the most popular media channel. Combined with the streaming of video (69 percent of all adults use the technology, but 86 percent of those aged 18-36), which is increasingly being viewed on the big screen, there is no question that the living room remains the best place to engage with valuable audiences at scale and in high quality environments.

There are also massive opportunities for planners and buyers to hone their expertise in OTT, STB VOD and Addressable Linear media channels and take advantage of this moment of growth as they mature. Taking a more creative and flexible approach to targeting and measurement will yield more positive business outcomes for advertisers.

As TV evolves and embraces the best of both linear and digital, there is a need to align video advertising delivery across common goals and tactics to deliver results, regardless of what your buying or selling approach has been historically. Within the agency world, by viewing each opportunity through both linear and digital lenses and using this guide, buyers from both disciplines can consider TV planning and buying holistically.

Only then can advertisers take full advantage of what the new living room has to offer in terms of quality, value and addressability.

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COUNCIL FOR PREMIUM VIDEO

Thank you to the FreeWheel Council for Premium Video members and partners who contributed to this guide.

About The FreeWheel Council for Premium Video

The FreeWheel Council for Premium Video (FWC) serves the interest of the premium video industry through leadership positions, research and advocacy. Founded initially in the U.S. in 2015, and expanded into Europe in 2017, the FreeWheel Council for Premium Video (FWC) is an advocacy group comprised of 46 premium video providers globally, including programmers, operators, and digital pure-plays. The FWC operates as an educational and organizing resource to assist marketers in reaching desired audiences in premium video environments, conducting research documenting the benefits of premium video, and championing the interests of member publishers and the market.

For more information on the FreeWheel Council for Premium Video please visit www.FreeWheel.tv/FWCouncil and follow us on Twitter @FWCouncil.

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