

Advanced TV Is the New Frontier for DSPs

Ad tech vendors are trying to hitch themselves to automated TV ad buying

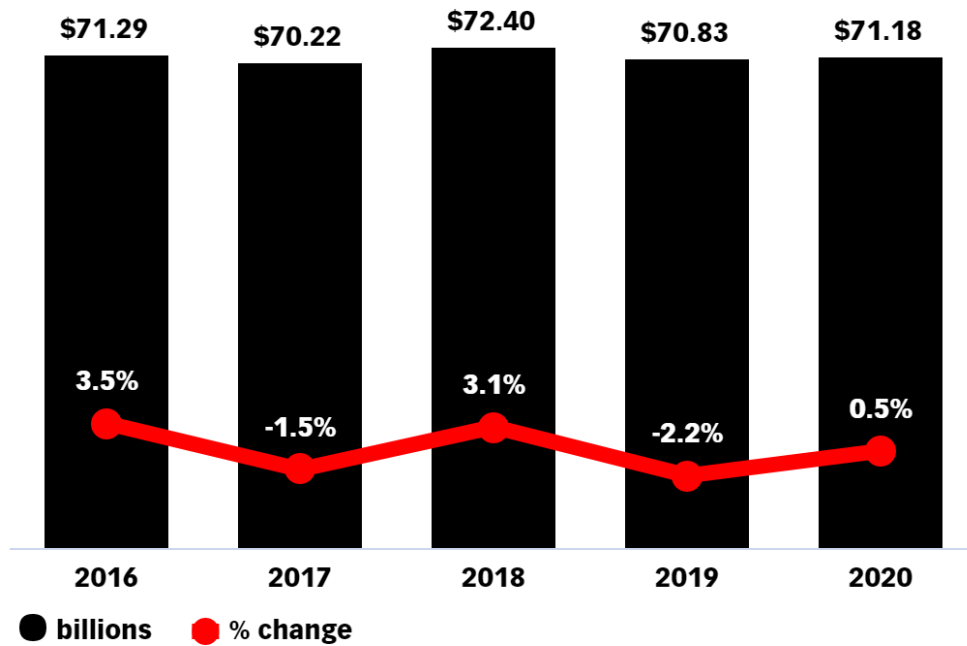
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Ross Benes

We predict that US advertisers will spend \$70.83 billion on TV this year. While the vast majority of TV advertising is still bought and sold through traditional methods, change is happening, and ad tech players don't want to miss out.

TV Ad Spending

US, 2016-2020



Source: eMarketer, February 2019

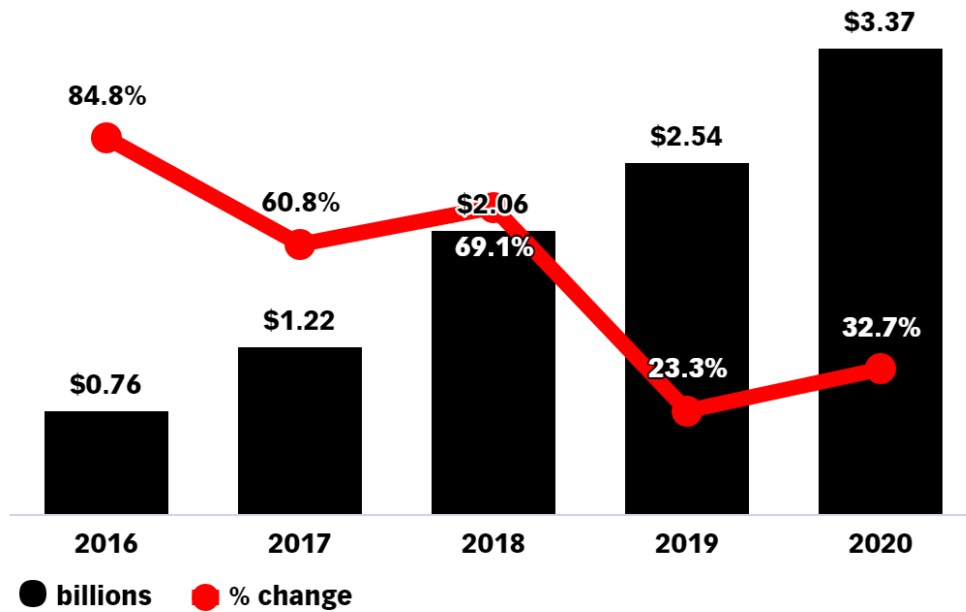
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“Advanced TV inventory is a confusing, convoluted landscape and marketers are looking for partners that can help navigate the space,” said Sarah Scherer, product marketing manager at programmatic agency Goodway Group. “If a demand-side platform [DSP] doesn’t have a solution, they will likely lose.”

We estimate a 58.4% increase in US programmatic TV ad spend this year to \$2.77 billion. And addressable TV ad spending in the US will increase 23.3% in 2019 to \$2.54 billion, as TV ads become more targeted.

Addressable TV Ad Spending

US, 2016-2020



Source: eMarketer, July 2018

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Another growth area is connected TV advertising, which includes ads served to TV sets via the internet, be it via a smart TV or another device such as a Blu-ray player, game console or set-top box, such as Roku or Google Chromecast.

We predict that 57.2% of the US population will watch connected TV in 2019, up from 51.7% in 2017. And Nielsen estimates that between Q4 2017 and Q1 2018, the average amount of time that people spent watching content on connected TV devices increased by 5 minutes per day to 40 minutes.

The growth in users and time spent with connected TV has led to an increasing supply of ad impressions. FreeWheel, a video ad server owned by Comcast, reported a 53% growth in connected TV ad views in 2018. The share of ad impressions that video ad tech firm Extreme Reach served through connected TVs jumped from 15% in Q4 2017 to 44% in Q4 2018.

“The inventory out there has opened up substantially over the past 12 to 16 months,” said April Weeks, executive vice president of media operations and services at DSP firm Centro.

DSPs are aggressively pitching TV-focused products in an attempt to capitalize on these trends. The Trade Desk continues to **highlight growth in connected TV** ad spend during its earnings calls. AT&T plans to **expand its advanced TV business** and **consolidate its ad spend** to run through its own DSP. dataxu **laid off workers** and reorganized its company around TV products. Beeswax **raised funds** to support connected TV offerings. Amazon and Google control **two of the industry’s most commonly used DSPs** and they also own connected TV devices and popular digital video platforms. And Amobee **partnered with Nielsen** to expand its TV buying capabilities.

“The way in which you buy TV and attribute it to your path to purchase is so similar to digital,” said Joe Barbagallo, department manager of digital, social and CRM at Jaguar Land Rover North America. “It makes total sense that [DSPs] would move toward this way of billing themselves.”

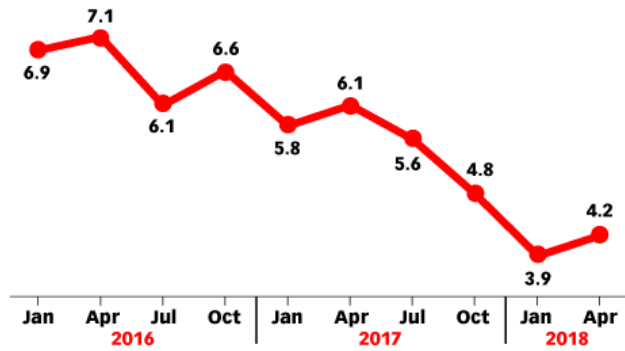
These announcements give the impression that nearly every DSP is trying to hitch itself to the digitization of TV ad spend. In a poll of digital advertisers by **Advertiser Perceptions**, audience targeting and cross-screen planning were cited as the top two criteria driving investment in advanced TV products. In April 2019, the TV ad targeting coalition OpenAP **unveiled its own ad marketplace** where advertisers can buy inventory from Viacom, Fox and NBCUniversal properties on both linear TV and digital streaming platforms. The marketplace will arrive in time for the fall TV season, according to OpenAP.

“I would say anybody that's not talking about [advanced TV] or doing something with it is in a little bit of trouble right now because that's where the money is moving,” said Jon Schulz, CMO of Viant, an ad tech company that has a DSP product.

Although users are changing how they view TV, companies trying to capitalize on advanced TV face numerous challenges: Inventory is finite, the digital video marketplace is **fragmented** and **difficult to measure** and DSPs face stiff competition. Between 2016 and 2018,

advertisers **cut the number of DSPs** they use per month by about 40%, according to ad tracking company **Pathmatics**. Advanced TV products alone can't save struggling businesses or prevent consolidation. For instance, Sizmek **promoted its own advanced TV products** but **sought Chapter 11 protection** last month.

**Average Number of DSPs Used by US Advertisers,
Jan 2016-April 2018**
among the largest 100 advertisers on the Pathmatics platform



Note: represents activity on the Pathmatics platform, broader industry metrics may vary

Source: Pathmatics, May 15, 2018

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“The DSPs that will win are the ones that have strong partnerships with the end seller and aren't trying to arbitrage media and black box it,” said Mike Fisher, vice president of advanced TV and video at DSP MediaMath.