

Is Advanced TV Poised for a Breakthrough?

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Several powerful companies are trying to overhaul the way TV advertising is bought, sold, targeted and viewed. But it's unclear how successful they will be.

The hype around advanced TV—a disparate series of technologies ranging from automated TV ad buying to TV ad targeting to internet-connected TVs—is strong. The largest demand-side platforms (DSPs) say they're investing more in it; AT&T crammed together **two multibillion dollar acquisitions** to bolster its advanced TV business; and TV networks are pushing ad targeting and buying features similar to what's found across the open web.

Ad tech vendors and digitally savvy publishers would like to cash in on the digitization of TV advertising. But that may take a while.

TV advertisers have grown comfortable with their traditional approach and cutting deals at the Upfronts. Another issue is scale. In a January 2018 survey of 171 US agencies and marketers **by Advertiser Perceptions and Videology**, scale is the leading challenge with connected TV advertising.

Leading Challenges of OTT/Connected TV Advertising According to US Agencies and Marketers, Jan 2018

% of respondents



Note: n=171; respondents chose their top 3
Source: Videology, "Advanced TV Trends" conducted by Advertiser Perceptions, June 26, 2018

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In 2018, US advertisers will spend about \$70 billion on TV, according to eMarketer forecasts. But just \$2.1 billion will be spent on targeted, addressable TV ads and \$1.7 billion of TV ad spend will be transacted programmatically.

On a brighter note for companies hoping to profit off TV's digital transition, the reach of connected TV—which refers to video being piped through a TV using the internet—is growing steadily. eMarketer estimates that connected TVs will reach 55.5% of the US population in 2018, up from 47.4% in 2016.

And while cord cutting can feel ominous, the growth of over-the-top (OTT) video platforms that can be viewed independent of a physical television or a cable provider's set-top box look promising. eMarketer forecasts that 62.6% of the US population will view OTT video in 2020, up from 60.7% this year.

To get some clarity about where advanced TV is headed, eMarketer asked some ad industry insiders what they thought about its future:

Dave Morgan, CEO, Simulmedia: TV sellers are changing the way they approach things, and that's more important since the TV ad market is supply constrained, not demand constrained like digital. Change in the TV ad ecosystem is driven by the sell side. They are the

ones who, for the past years, have had a world that didn't need to be fixed. They have been making more money on declining show ratings for a long time. This is not the end of the old ways of buying and selling TV ads. It is just the end of the beginning of new ways to buy and sell TV ads.

Richard Sobel, CEO, Marcato Solutions: I'm not convinced yet we're at a tipping point. The challenge is that most video buying still comes from a TV mindset of reach and frequency, not the digital audience-first and highly-detailed attribution approach. As in digital, it's going to be a data, ease of activation, and ultimately ROI-driven exercise. However, we still have a ways to go for the data plays and easier activation in the TV space to warrant calling it "the year of advanced TV." It is "the year of mobile" all over again, and again and again.

Marcus Pratt, Vice President, Insights and Tech, Mediasmith: We are seeing many advertisers that do not invest in traditional, linear TV starting to find success with more targeted placements made possible through programmatic buying on connected TV. At the same time, advertisers that invest in traditional TV are increasing investments into digital video channels to reach a growing audience of cord-cutters and cord-shavers. I don't believe there was truly a "year of mobile," just a steady increase in media investment following consumer behavior. I suspect that we will see the same with advanced TV.

Randy Cooke, Vice President, Enterprise Solutions, SpotX: Marketers are realizing that TV investments are no longer restricted by linear business models. The value proposition of OTT as a nimble, dynamic channel for disrupting business outcomes is alluring to brands looking to get as close to their consumers as possible, however those consumers individually choose to engage with the content. In 2019, cracks in the dam will start opening up for 2020 when OTT will start to gel as a tent pole component within a brand's media mix.

Seth Walters, Vice President, Demand Partnerships, Roku: OTT has become a must buy if you want to connect with an audience no longer reachable through traditional television campaigns. We believe this is because the end-goal for set-top box addressable and data-

driven linear television can be more easily realized at scale with OTT or connected TV.

Jon Kaiser, Executive Director, Integrated Investment, Hearts &

Science: While the [TV] networks seemed moderately prepared to transact differently in the 2017-2018 Upfront marketplace, demand for gross ratings points remained so high that the marketplace seemed to fall right back into traditional ways of transacting, effectively kicking advanced TV discussions with the linear networks further down the road. This year feels different in that both the networks and advertisers seem more ready, willing and able to transact on different audiences, perhaps converting a greater portion of 2018-2019 Upfront inventory to audience-focused buys than before, and setting up the opportunity to transact more on them as part of next year's Upfront. ... I think shrinking linear supply and an aging audience, coupled with the maturity and scale of advanced TV opportunities all point to this being the year we see a meaningful pivot.

Hayden Lynch, Senior Vice President, Ad Solutions and

Innovation, Group Nine Media: With the launch of Facebook Watch, Instagram's IGTV, Snapchat's Shows and emerging OTT channels, digital is starting to look more like TV than ever before. And with that, there are ever-expanding opportunities for publishers to create engaging video content to fill the new pipes. Concurrently, consumer attention is rapidly shifting towards digital and advertisers are looking to reach the next generation of consumers on the platforms where they spend their time.

Dallas Lawrence, Chief Communications and Brand Officer,

OpenX: TV is by no means dead, but it no longer dominates the lives of millions of consumers. This shake up in consumer preferences extends beyond cord-cutting. Millennials spend nearly 500% more time on a mobile device than they do watching live TV. As more eyes shift to data-enabled TV viewing like OTT and connected TV, advertising will undergo another sea change of engagement.

Interview with: Feb 02, 2018

Legacy Media Companies Are Leading the Charge in Advanced TV



Article Sep 24, 2018

How Tech Vendors Are Banking On Connected TV