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Marketers Struggle to Master Connected TV Advertising as Audience Grows

Article

By 2022, more than 204 million people in the US will watch connected TV at least once a month. That will represent more than 60% of the population, and will add around 183 million more viewers to the US connected TV audience in 2018.

With such a large installed base, connected TV ad spending should be massive, right? After all, ad dollars usually follow eyeballs.

Not so fast. Although many experts do expect connected TV advertising to eventually catch up to consumer adoption, several obstacles stand in the way.

eMarketer's latest report, "Connected TV: Almost Ready for Primetime," explores the obstacles marketers are encountering as they try to deploy campaigns through this new channel.

First, there's the question of scale. At this stage, ad-supported connected TV platforms don't have audiences in the tens of millions, as TV advertisers do with broadcast and cable networks. Brands wishing to reach audiences at scale are still choosing linear over connected TV.

A related issue is platform fragmentation. Ad inventory on connected TV is spread out among a diverse set of players—not just head-to-head competitors, as in the traditional media world, but companies in different industries, with different profiles, priorities and businesses practices. They include streaming services, smart TV makers, set-top box manufacturers, content aggregators, and even broadcast and cable networks that bundle connected TV with traditional ad buys. It can be an intimidating array of sellers.

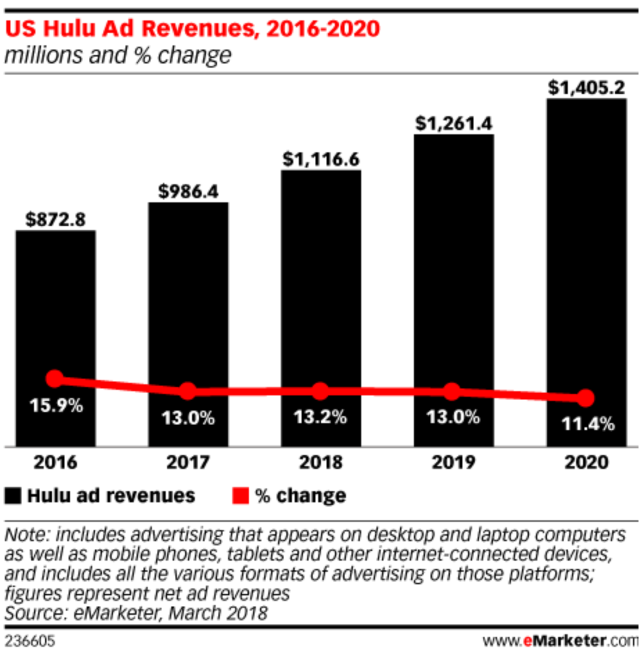
Another big issue for marketers is the lack of standardization in the data that platforms collect and share on connected TV ads. Until there's a uniform measurement system for audiences and ad performance, as TV has had with Nielsen for generations, some advertisers will continue to struggle with how to best use the connected TV space.

Because of these issues, programmatic advertising, which makes up a clear majority of the dollar volume transacted in the digital video space, has not yet taken hold in connected TV. Most of the ads sold for connected TV consist of high-quality inventory that buyers and sellers prefer to transact one-on-one, instead of through programmatic marketplaces (via private deals or real-time bids). This has inhibited growth.

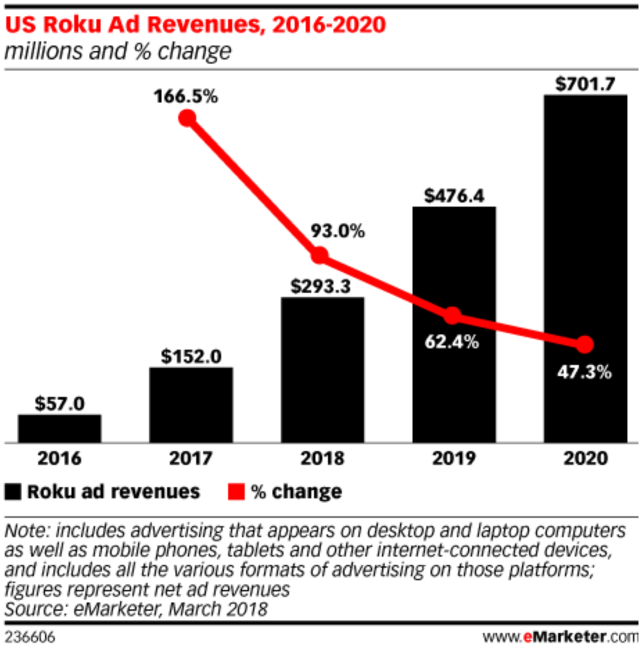
Then there's the frequency problem—the same ad showing up again and again in a show on a connected TV platform. Advertisers who are used to linear TV are gravitating toward connected TV expecting massive reach guarantees, but the only way the streaming services can deliver on those commitments is to serve the same spot repeatedly. If the number of people watching on connected TV is smaller than the audience the advertiser is trying to reach, the platform will make up the shortfall by showing the same ad to the same users as many times as it takes to reach the target.

Despite these barriers, progress is being made. eMarketer expects two of the leading connected TV platforms, Hulu and Roku, to significantly grow their ad businesses in the coming years.

Hulu's net US ad revenues will top $1.4 billion by 2020, up from $986.4 million in 2018. This represents double-digit annual growth throughout our forecast period, and the figures include advertising both on Hulu's on-demand platform and on its live TV service.



Roku's projected growth curve is even higher, though its ad business is smaller than Hulu's. The device maker's net US ad revenues will reach $701.7 million in 2020, up from $152.0 million in 2018. The company's ad mix consists of home screen ads that pop up when users power up their devices, sponsorships and, increasingly, in-stream video ads.



These are promising indicators for the long-term prospects of connected TV advertising, which marketers see as a space to leverage the massive reach and familiarity of TV and the targetability and measurability of digital video. That potential puts connected TV at the convergence point between TV and video—two of the most successful formats in the history of advertising.

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