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# CONNECTED TV TRENDS ROUNDUP

January 2020

As the TV industry continues to undergo significant disruption, advertisers are spending more money on ads shown on internet-enabled connected TVs (CTV). For a variety of reasons, viewership has flocked to CTV platforms quicker than ad spending. eMarketer has curated this Roundup of forecasts, articles and insights to understand the key trends in CTV today.

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## SPONSOR MESSAGE

All signs point to the likelihood that streaming TV (over-the-top and connected TV) consumption will eventually overtake traditional (linear) TV. There are now over 100 streaming services that offer a wide range of content, from movies and sports, to kids' content, news and more.

For marketers, this means your audience will be distributed, and if you're only testing a few ad-supported services, reaching audiences at scale will be a challenge. By working with a partner that can buy inventory across many services, marketers can easily expand their reach with consistent measurement across the board.

At Tatari, we believe marketers need more than completion rates to evaluate streaming TV ad campaigns, so we focus on providing performance metrics that matter, like CPA, CPI and CPV. Our goal is to provide the knowledge and transparency needed to give you the competitive edge, and to create a clear way forward.

Learn more at [tatari.tv](https://tatari.tv).



# OVERVIEW

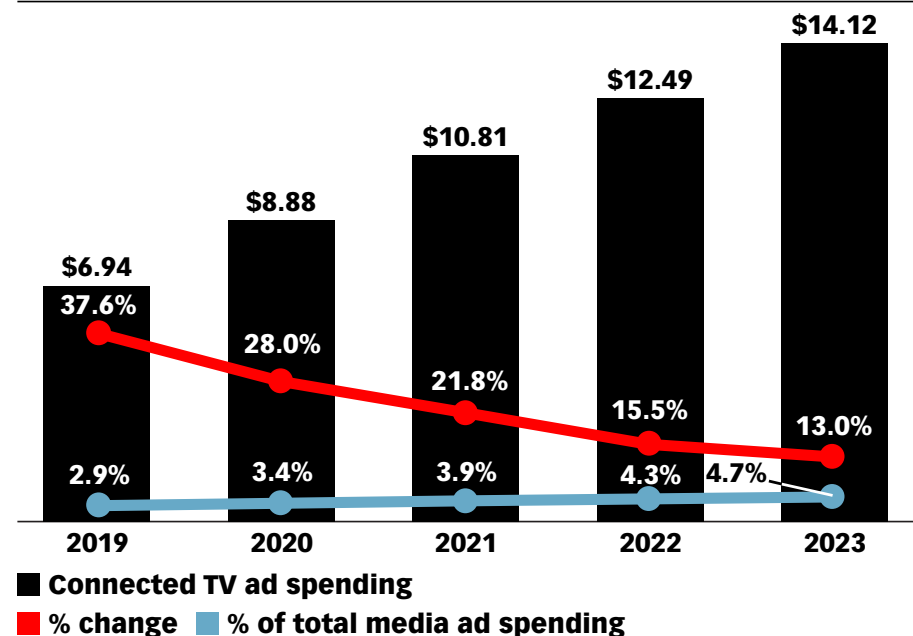
**Ad spending projections from multiple research firms vary considerably, but one thing is clear: Investment in connected TV (CTV) is soaring. For the foreseeable future, CTV ad spending will increase by double digits annually. In our first-ever forecast for US CTV ad spending, we estimate that it will hit \$14.12 billion by 2023, accounting for 7% of total digital ad spending and nearly 5% of total media ad spending.**

Video ads account for the vast majority of CTV ad revenues—of the \$6.94 billion spent on CTV in 2019, \$6.80 billion went to video ads. The remaining portion comprised of banner ads, native outlays and sponsored searches shown on CTV platforms.

Overall, the CTV ad landscape is strongly dominated by three companies: YouTube, Hulu and Roku. YouTube is the biggest recipient of CTV ad spending, accounting for 40% of our total CTV ad spending estimate, while Roku and Hulu collectively account for an additional 30%. About seven in 10 total US CTV ad dollars go to these three companies.

Meanwhile, CTV programmatic video ad spend will grow considerably to \$6.26 billion by 2021. Most CTV ad spending will be programmatic, but just a small portion of total programmatic spending goes to CTV. We forecast that in 2019, CTV would represent 6.1% of total programmatic display ad spending, and in 2021, CTV will take in 8.1% of all programmatic display spending.

**US Connected TV Ad Spending, 2019-2023**  
billions, % change and % of total media ad spending



*Note: digital advertising that appears on connected TV (CTV) devices; includes display ads that appear on home screens and in-stream video ads that appear on CTVs from platforms like Hulu, Roku and YouTube; excludes network-sold inventory from traditional linear TV and addressable TV advertising*

Source: eMarketer, Oct 2019

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As you think more about CTV in 2020, here are five key points to keep in mind:

- **Ad spending on CTVs is growing quickly.** US CTV ad spending will grow to \$10.81 billion in 2021, up from \$6.94 billion in 2019.
- **About half of CTV ad spending happens programmatically.** As advertisers automate these ad buys, DSPs are scrambling to add CTV features.
- **CTV inventory has increased dramatically.** The number of CTV users is growing, and so is their time spent with the medium. This growth makes CTV more attractive to advertisers seeking a nationally representative audience, so ad inventory is increasing. With supply levels rising, ad prices should drop some.
- **Fragmented audiences, measurement problems, ad fraud and frequency capping remain critical issues.** The lack of standardization in this emerging space has cooled some advertisers' exuberance.
- **CTV buying and planning requires digital savvy and adaptability.** Advertisers are navigating through CTV's issues by utilizing proxy metrics, using log-level data to spot fraud early on and dispersing their buying across platforms.

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**eMarketer's definition of CTV advertising** focuses solely on digitally delivered ads to TV sets via their own internal internet capabilities or external capabilities delivered by streaming devices, Blu-ray players and gaming consoles.

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# US ADVERTISERS WILL ALLOCATE NEARLY \$9 BILLION TO CONNECTED TV THIS YEAR

**US advertisers will spend almost \$9 billion on connected TV ads this year. Connected TV is growing rapidly as advertisers look to target audiences watching long-form, premium digital content on their living room screens.**

That's according to our first-ever estimates of connected TV ad spending, which we expect to account for 3.4% of US advertiser outlays in 2020. We forecast that by 2023, advertisers will devote almost 5% of their paid media budgets to connected TV placements.

We define connected TV advertising as digital ads that appear on connected TV devices, which include smart TVs and TVs hooked up to the internet via a set-top box, game console or similar device. Formats include display ads that appear on home screens and in-stream video ads that appear on connected TVs from platforms like Hulu, Roku and YouTube. Connected TV advertising excludes network-sold inventory from traditional linear TV and addressable TV advertising.

Advertiser interest in connected TV is high as the number of cord-cutters and cord-nevers climbs each year and fewer people watch traditional linear TV. Connected TV also offers the promise of better audience targeting and measurement—though for now, it also comes with the familiar digital problems of fragmented infrastructure and high potential for fraud.

YouTube, Hulu and Roku are leaders in the connected TV advertising space, and we expect revenues for YouTube placements that appear on connected TVs to account for about 40% of connected TV ad spending.

Connected TV advertising is still small compared with other digital ad channels, but it's closing the gap with desktop- and laptop-based ad spending. Last year, the PC-based ad market was about three times the size of the connected TV ad market; by 2022, advertisers will spend more than half as much on connected TV as they do on PC-based digital ads.

## US Digital Ad Spending on Select Channels, 2019-2023 billions

	2019	2020	2021	2022	2023
Mobile*	\$99.21	\$120.37	\$138.43	\$152.93	\$166.67
Desktop/laptop**	\$23.20	\$22.03	\$23.04	\$22.34	\$21.04
Connected TV***	\$6.94	\$8.88	\$10.81	\$12.49	\$14.12

*Note: \*includes advertising that appears on mobile phones, tablets and mobile internet-connected devices; \*\*includes advertising that appears on desktop and laptop computers and other nonmobile internet-connected devices; \*\*\*includes advertising that appears on connected TV (CTV) devices*

*Source: eMarketer, Oct 2019*

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And connected TV's relative share could grow even faster depending on how the over-the-top (OTT) video service market develops. For now, the biggest player in terms of users—Netflix—is ad-free. Some industry watchers think that will change and that other services with no or limited advertising will also go ad-supported as consumers experience subscription fatigue.

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**We forecast that by 2023,  
advertisers will devote almost 5%  
of their paid media budgets to  
connected TV placements.**



# CONNECTED TV AD SPEND IS GROWING, BUT THERE ARE STILL PLENTY OF CHALLENGES

**Connected TV ad spending is increasing significantly, but it still faces issues when it comes to the fragmentation of inventory, lack of standardized measurements, frequency capping and ad fraud. In our newest report on US digital video, we look at connected TV's limitations and what leaders in the industry think.**

An ad buyer considering connected TV has the option to buy from multiple sources, such as streaming device manufacturers, makers of smart TVs, content aggregators, programmatic ad exchanges and broadcast networks. This means the inventory is spread out in a way that makes it hard for any single channel, or provider, to deliver the kind of scale that advertisers are accustomed to with linear TV. So, what's the best way for marketers to deal with this issue? It depends whom you ask.

"The challenge if you go through a platform is you don't know exactly where your ads are running," said Mike Reidy, senior vice president of digital ad sales at NBCUniversal. "Yes, it could be connected TV inventory, but you don't know what network, you don't know what shows. So that's why we always tell our advertiser partners, if you start with the content publisher, you'll know not only what shows you're running against, but also which platforms you're delivering against in the connected TV ecosystem."

However, Tom Fochetta, vice president of advertising sales at Samsung Ads, argued that rather than buying from multiple sources, ad buyers should look for products that have the ability to buy from multiple publishers through a single platform. With measurement being so bifurcated, inventory sources that sell access to multiple publishers can help ad buyers reduce the number of dashboards and measurement vendors they have to navigate.

Regardless of which approach advertisers use for buying connected TV inventory, piecing together an ad campaign in this field requires digital savvy and patience. This is because each connected TV inventory source has its own set of metrics and data-sharing policies. By comparison, TV advertisers are accustomed to relying on Nielsen ratings across large upfront inventory purchases.

In a March 2019 poll of 350 US marketers conducted by the Interactive Advertising Bureau and Advertiser Perceptions, 27% of respondents said that inadequate campaign measurement was a top obstacle that prevented them from investing more in over-the-top (OTT) video ads. This was second only to cost/price.

(The terms "connected TV" and "OTT" are often used interchangeably in the ad industry. We define OTT as video that's delivered independently of a traditional pay TV service, regardless of device. Connected TV refers specifically to video watched on a TV with internet connectivity. By these definitions, connected TV is a subset of OTT. Nevertheless, industry insiders





and data providers often use the term OTT to refer to services that are geared primarily toward connected TV viewing.)

While the complexity of OTT and connected TV measurement stifles some marketers from investing more in those areas, others see measurement as an opportunity. Unlike with traditional TV advertising that has historically drawn from basic demographic data, connected TV measurement allows marketers to measure more granularly and tie viewing patterns to other online and offline behaviors.

Another issue with connected TV and OTT advertising is that it can be prone to ad fraud. While connected TV and OTT inventory demand is very strong, the supply of impressions is limited. This has created an opportunity for fraudsters to trick advertisers into buying inventory that does not really exist.

“One thing that would help with tracking video ad fraud is SSPs [supply-side platforms] or content owners providing log-level data to advertisers,” said Marcus Pratt, vice president of insights and tech at ad agency Mediasmith. “That’s not something every advertiser or agency is necessarily going to want to analyze. But with some of the data that’s contained within those logs, advertisers would be able to match that back to some of the characteristics and users they were targeting. That would be a first step to catch some of the more easily spottable fraud.”

The fragmentation in measurement and inventory sources can also make it more difficult for advertisers to avoid bombarding viewers with the same ad. This issue is not new to connected TV or OTT advertising, but it persists.

## What Obstacles Are Preventing US Agency and Marketing Professionals from Using More Over-the-Top (OTT) Ads?

% of respondents, March 2019

### Cost/price

33%

### Inadequate metrics/campaign measurement

27%

### Lack of large scale audience

26%

### Difficulty with data integration

24%

### Poor performance/ROI

24%

### Confusion about how audience-based TV advertising works/its benefits

22%

### Lack of incremental reach/overlap with traditional TV buys

22%

### Lack of advertiser demand

21%

### Lack of agency demand

21%

### None

15%

Note: n=350; top 3 responses

Source: Interactive Advertising Bureau (IAB), "Digital Content NewFronts: 2019 Video Ad Spend Report" conducted by Advertiser Perceptions, April 29, 2019

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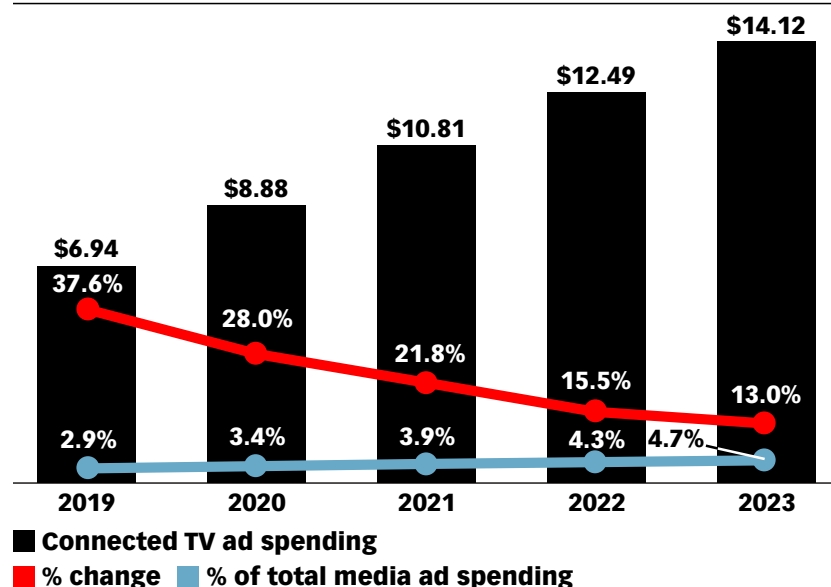


# WHO CONTROLS CONNECTED TV AD BUDGETS?

**Connected TV (CTV) ad buyers must consider how CTV purchases factor into their broader digital and TV campaigns. Figuring out how to best plan, buy and measure CTV ads is becoming more consequential as more money flows into this area.**

We forecast that US advertisers will spend close to \$9 billion this year on CTV ads. By 2023, that figure will reach \$14.12 billion.

**US Connected TV Ad Spending, 2019-2023**  
billions, % change and % of total media ad spending



*Note: digital advertising that appears on connected TV (CTV) devices; includes display ads that appear on home screens and in-stream video ads that appear on CTVs from platforms like Hulu, Roku and YouTube; excludes network-sold inventory from traditional linear TV and addressable TV advertising*

*Source: eMarketer, Oct 2019*

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For ad buyers, it's important to delineate who at the brand or agency controls the CTV planning, buying and reporting. Do these responsibilities fall to the linear TV team? Do they fall to the digital team? Does this distinction matter anymore?

"There are some agencies that have the TV people lead [connected TV ad buying], there are some agencies that have the digital people lead, and there are the programmatic leads," said David Gandler, CEO of virtual cable-streaming service fuboTV. "We're talking to all groups because there are still a lot of agencies that are not sure which is the route that they're going to go. My sense is, everyone is going to go toward the digital side only because there's more addressability and technology."

Other agencies are trying to break down the divisions by combining TV and digital leads.

"I was at [a meeting with] an agency where they've just done a reorg, and their whole positioning is, 'Our digital and TV people are completely locked,'" said Jim D'Antoni, director of ad sales at Dish Media. "They took three digital investment executives and three TV investment executives, and they're running the group together to try to break some of those silos down."

Direct-to-consumer brand Dollar Shave Club does not want to separate CTV from linear TV in its buying.

"It's like we're trying to plan all together at once," said Sam Kang, vice president of media and acquisition. "Of course they're different, but in terms of where the consumer is, we're trying to think about the consumer first, and then delivering on what we think the media plan should look like, and not the other way around."



# CONNECTED TV AD INVENTORY KEEPS GROWING?

**Even platforms that get much of their traffic from mobile can benefit.**

Connected TV inventory is growing like weeds. We expect that more than half of the US population (60.7%) will watch connected TV in 2020, and because the time they spend watching will increase too, the amount of connected TV inventory available to advertisers will proliferate.

We define connected TV advertising as 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 Roku.

Though the degree to which connected TV inventory is changing varies depending on what research you look at, the trend is clear.

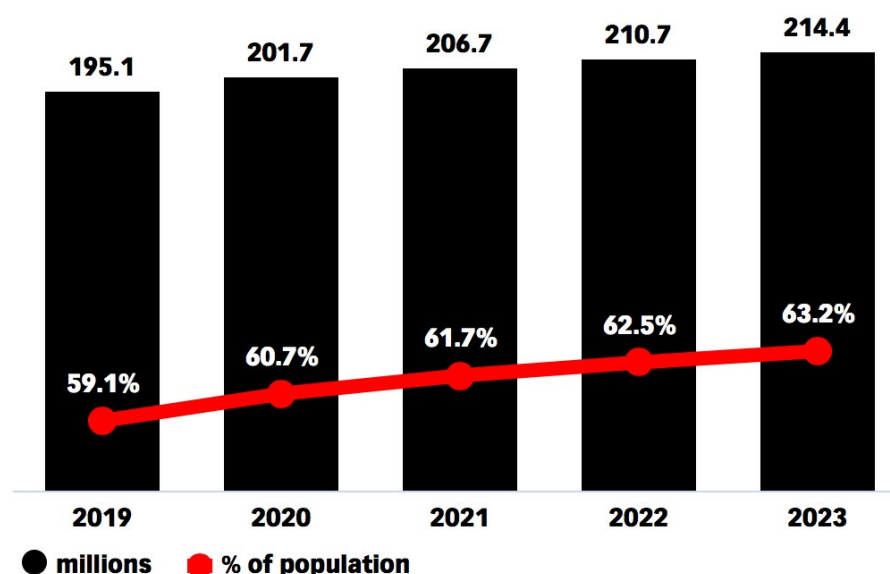
“The inventory out there has opened up substantially over the past 12 to 16 months,” said April Weeks, executive vice president of media operations and services at demand-side platform Centro.

From 2016 to 2018, the share of total ad impressions that video ad platform Innovid served through connected TVs jumped from 13% to 27%. Video ad serving firm SpotX saw the share of impressions it serves through connected TVs increase from 15% in Q1 2018 to 33% in Q1 2019.

In a quarterly review of digital video ad impressions served by Extreme Reach to various devices across North America, the firm found connected TV's impression share jumped from 15% in Q4 2017 to 44% in Q4 2018.

## Connected TV Users

US, 2019-2023



Source: eMarketer, July 2019

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Comcast-owned video ad server FreeWheel had similar findings. In Q4 2018, FreeWheel served 42% of its ad impressions through connected TVs, which was a year-over-year increase of 11 percentage points.

Even platforms that get much of their traffic from mobile can benefit from the growth in connected TV.



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Take YouTube, for example. Though most of its video is watched on mobile, there is indication that the site is contributing to rising connected TV inventory. Between Q4 2016 and Q4 2018, the share of YouTube video views that occurred on TV screens in the US increased by about 6 percentage points, according to digital video studio Collab.

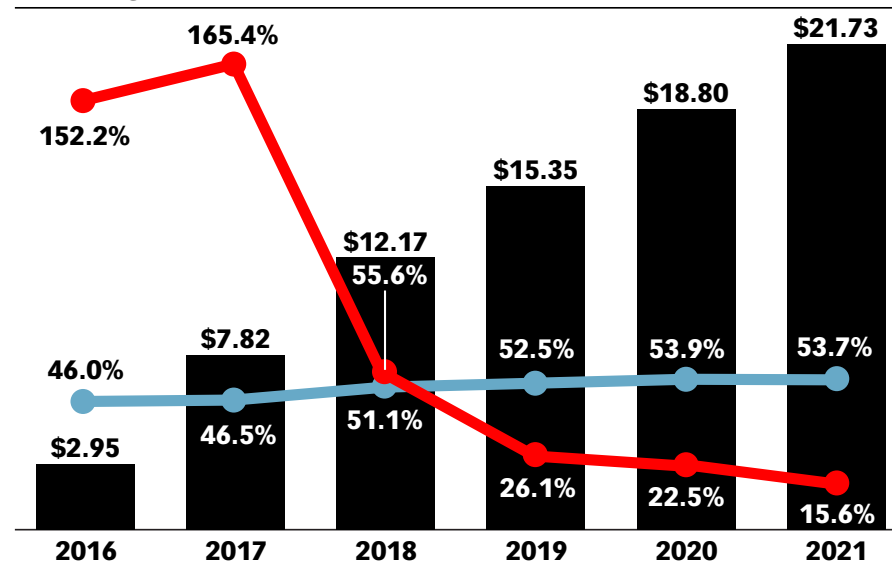
As supply levels rise, connected TV CPMs should decline. Already, some sources interviewed for our “Digital Display Ad Pricing StatPack” said they are seeing a slight drop in pricing. According to three US buy-side sources who anonymously shared data with us, CPMs for in-stream ads on connected TV ranged from \$19.84 to \$28.33 between Q4 2017 and Q4 2018.

The growth in connected TV inventory will affect where and how ad dollars get spent. Video accounted for about half of programmatic spend in the US in 2019 and is forecast to be similar in 2020. And last spring, we revised our programmatic video forecast upward due to growth in spend on channels like connected TV.

Programmatic video dollars allocated to mobile devices edged out dollars given to desktop, laptop or connected TV only slightly in 2019. Mobile’s share of programmatic video will peak in 2020 at 53.9%. By 2021, that share will dip, as ad buyers ramp up investments in areas like connected TV.

### US Mobile Programmatic Video Ad Spending, 2016-2021

billions, % change and % of total programmatic video ad spending



■ Mobile programmatic video ad spending

■ % change ■ % of total programmatic video ad spending

*Note: mobile display ads transacted via an API, including everything from publisher-erected APIs to more standardized RTB technology; video includes in-stream video ads such as those appearing before, during or after digital video content in a video player (pre-roll, mid-roll, post-roll video ads) and video overlays; includes social network in-stream video advertising in platforms such as Facebook Watch and Snapchat Shows; includes outstream video ads such as native, in-feed (including video ads in Facebook's News Feed and Twitter's Promoted Tweets), in-article, in-banner and interstitial video ads; data for 2008-2016 excludes in-stream video ads; includes ad spending on tablets*

Source: eMarketer, April 2019

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# THE IMPORTANCE OF INCREMENTALITY IN TV

This post was contributed and sponsored by [Tatari](#).

**Savvy marketers operate across channels to reach potential audiences. While search and social media are still the most popular with easy access and measurement, brands who advertise on TV can also be found on radio, direct mail and out-of-home. Omnichannel strategies, however, have created a gap in TV measurement, and it's akin to the issue of digital's last-click attribution and media-mix modeling.**

These approaches in measurement (and planning) are complex and have largely failed to remove the ambiguity marketers are yearning for. One solution would be to focus on incrementality.

Incrementality is achieved by measuring campaigns in a way that separates net new visitors, buyers or installers, from those that would have already visited, purchased or downloaded even if they hadn't seen the ad.

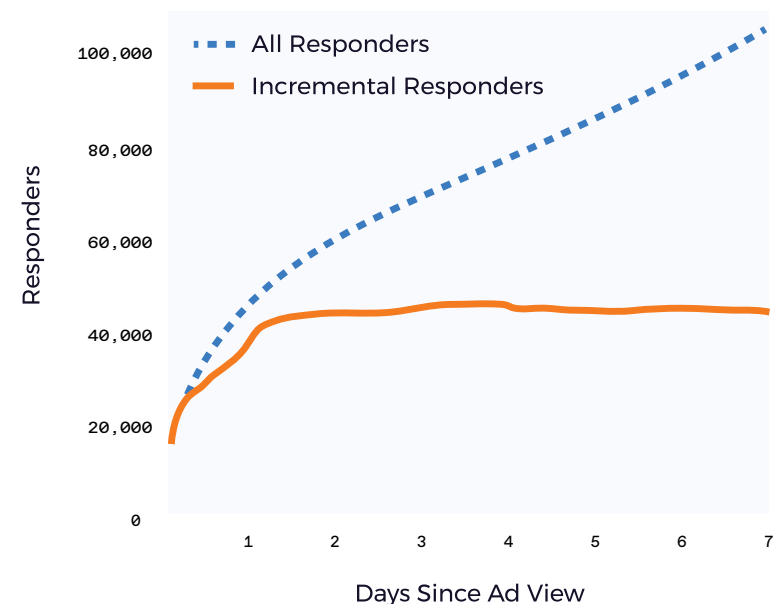
For most in the TV industry, incrementality is achieved by filtering out known (and large) digital traffic sources from the baseline—non-branded search or Facebook, for example. This is largely insufficient, regardless of whether it relates to streaming or linear TV; the correct handling requires dynamic baselining and control groups.

Rather than calculating lift from a fixed baseline, a dynamic baseline is continuously recalculated to account for short-term changes such as an uptick in morning traffic, which itself could be organic, but is also caused by other paid sources, such as morning radio. Airings later in the day only get credit for lift that would otherwise not have been achieved. They are measured incrementally.

For OTT and connected TV, people are mostly watching on-demand, and ads are less spiky in nature compared to linear TV. IP-level data can be used to measure the response by checking

the IP address where the impression is delivered and subsequent visits to the advertiser's site (Y-axis) over time (X-axis).

By using control groups, where one group sees a spot and the other does not, the difference in response between the two properly measures incrementality. If brands do not control for incrementality, the measurement of responders will include those who would have visited or purchased, even without seeing that particular TV spot (blue line) indicating a view-through metric. By subtracting a control group of people that were watching TV on the same day, same time and similar programming, the true incremental effect of TV can be measured (orange line).



Marketing professionals have moved away from last-click to multitouch attribution, but it's still far from perfect. The TV industry owes it to its constituents to evolve and enforce incrementality as the standard. —Philip Inghelbrecht, Tatari CEO





# Streaming TV Advertising:

## A Clear Way Forward

Streaming's growing popularity among consumers opens up exciting ad opportunities. However, most marketers can only think of the largest ad-supported streaming providers but there is an entire landscape of other apps that people watch.

To get started, we've put together a comprehensive guide to understanding the full landscape of streaming services and detailed advertising options such as:

- Inventory
- Audience
- Targeting
- Creative Lengths

Download Your Guide to Streaming TV  
[tatari.tv/streaming-guide](https://tatari.tv/streaming-guide)



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# IN THE US, NETFLIX GRABS THE MOST ATTENTION, BUT ITS REIGN WILL BE CHALLENGED

**Netflix and YouTube may be the video platforms US adults are watching most, but their days at the top may be numbered. New services such as Disney+, HBO Max and Apple TV+ will fragment digital video viewing time even further. According to our first forecast on time spent watching Netflix and YouTube, both platforms will see their share of daily video time drop in the coming years.**

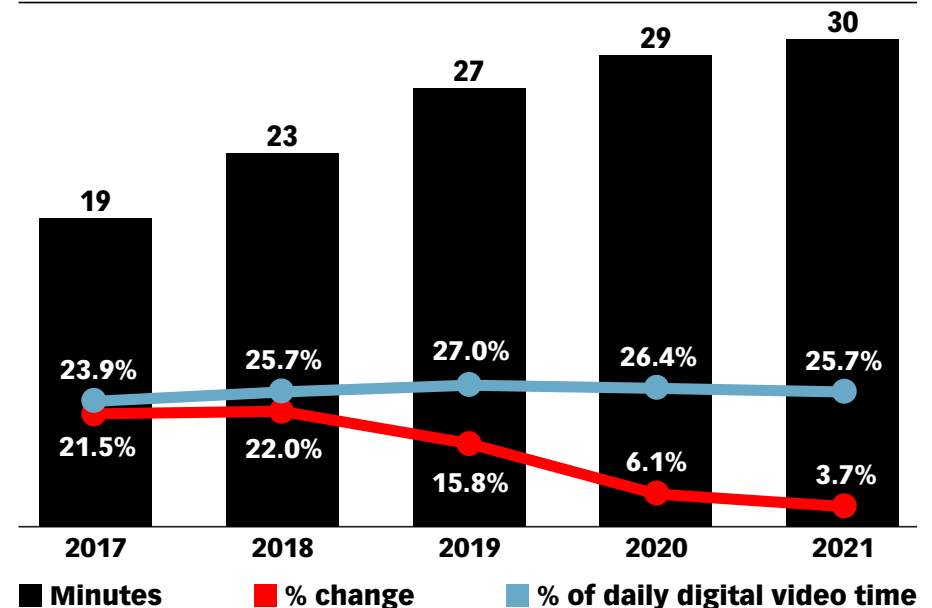
In 2018, Netflix surpassed YouTube as the most-watched video service, with an average daily time spent among adults of 23.2 minutes vs. 22.3 minutes, respectively. However, we estimate that, starting in 2020, Netflix's share of daily video time will begin to decline—even as its time spent numbers continue to rise. Netflix's share of daily video time will peak in 2019 at 27.0% and will decline to 25.7% by 2021.

Similarly, YouTube's share of total daily digital video time will drop from 23.4% this year, to 21.7% by 2021. It will continue to trail No. 1 player Netflix throughout the forecast period.

"Even though Americans are spending more time watching Netflix, people's attention will become more divided as new streamers emerge," eMarketer analyst Ross Benes said. "The video streaming landscape will get crowded, which will drive down the share of time that people devote to Netflix."

## Time Spent per Day with Netflix Among US Adults, 2017-2021

minutes, % change and % of daily digital video time



*Note: ages 18+; time spent with each medium includes all time spent with that medium, regardless of multitasking; for example, 1 hour of multitasking on desktop/laptop while watching Netflix is counted as 1 hour for Netflix and 1 hour for desktop/laptop*

Source: eMarketer, Dec 2019

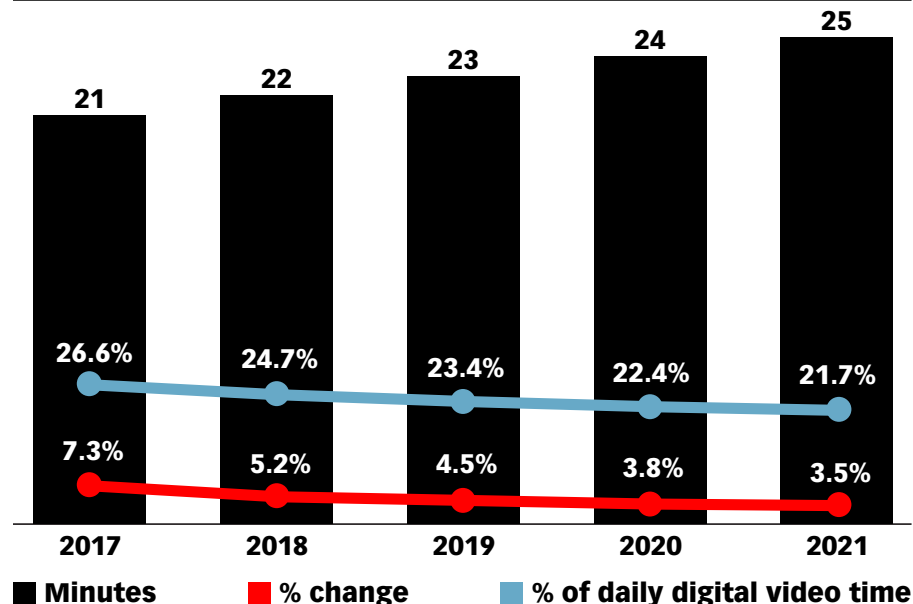
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## Time Spent per Day with YouTube Among US Adults, 2017-2021

minutes, % change and % of daily digital video time



Note: ages 18+; time spent with each medium includes all time spent with that medium, regardless of multitasking; for example, 1 hour of multitasking on desktop/laptop while watching YouTube is counted as 1 hour for YouTube and 1 hour for desktop/laptop

Source: eMarketer, Dec 2019

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In terms of total video time, 2019 will be the first year in which digital video will make up more than one-quarter (25.4%) of all daily digital time. This includes time spent on apps and browsers (but excludes social) on all devices.

“Video streaming is a mainstream, daily routine for most US adults, occurring on all devices and increasingly when viewers are on the go,” eMarketer senior forecasting analyst Oscar Orozco said. “In fact, an April 2019 study from OpenX found that nearly one-third of users of subscription streaming platforms say screen size has no impact on what they watch or for how long. Because of this, video will continue to be the main driver of digital media consumption in the coming years.”

## New competition will encroach on market shares for Netflix and YouTube.

Netflix is expected to continue pouring millions into its content library and investing in its AI discovery technology. That will help drive not only growth in subscribers, but also increased viewing time among users. Average daily Netflix viewing time among adult users will increase by 2.2% to 56.6 minutes per day in 2020.

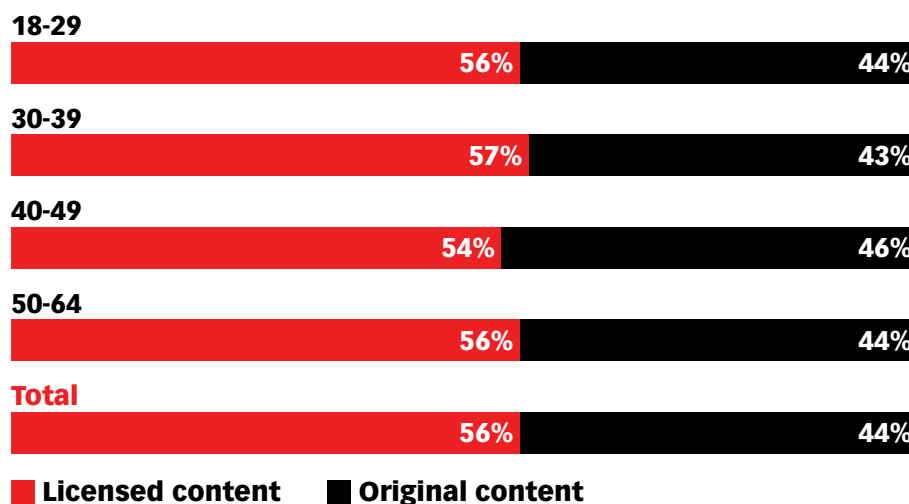


# USERS STILL DEMAND LICENSED CONTENT FROM OTT PLATFORMS

**While digital video platforms like Netflix are investing heavily in producing their own original shows, many people prefer to watch licensed content when they stream video.**

In March 2019, PwC surveyed 1,000 adults in the US who were video-on-demand (VOD) viewers. It found that over half of the content that respondents streamed was licensed, while 44% of it was original to the platform it's viewed on.

## Share of Licensed vs. Original Content Watched by US Video-on-Demand (VOD) Viewers, by Age, March 2019 % of total



Note: includes TV shows and movies

Source: PwC, "Streaming ahead: Making UX + content strategy work together," April 23, 2019

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Much of the licensed content that viewers are used to finding on over-the-top (OTT) platforms like Netflix or Hulu is about to become exclusive to other companies. And that fragmentation will continue as Apple, Disney, Comcast's NBCU and AT&T's WarnerMedia launch their own streaming services.

Disney announced that it will be pulling its content from Netflix, and analysts speculate that WarnerMedia will pull some of its popular titles like "Friends." In late April 2019, The Wall Street Journal reported that NBCU is having internal discussions about removing "The Office" from Netflix so that it can feature the show exclusively on its own platform. Netflix responded with a tweet reminding people that it has rights to the show "until 2021 — at least."

Meanwhile, Netflix continues to invest in producing original shows. In April, the company announced it was offering \$2 billion in debt to fund content spending and other expenses. This was Netflix's second debt financing round in six months. In October 2018, it offered \$2 billion in debt to fund content spending.

According to Netflix, it spent \$12.04 billion on content in 2018. That figure will rise to around \$15 billion this year and to more than \$17 billion in 2020, per estimates from investment bank BMO Capital Markets. (These expenditures are calculated on a cash basis—before Netflix writes off the cost of original productions. The costs after the write-off are significantly lower. For example, in 2018, the post-write-off figure that Netflix reported was \$8 billion.)

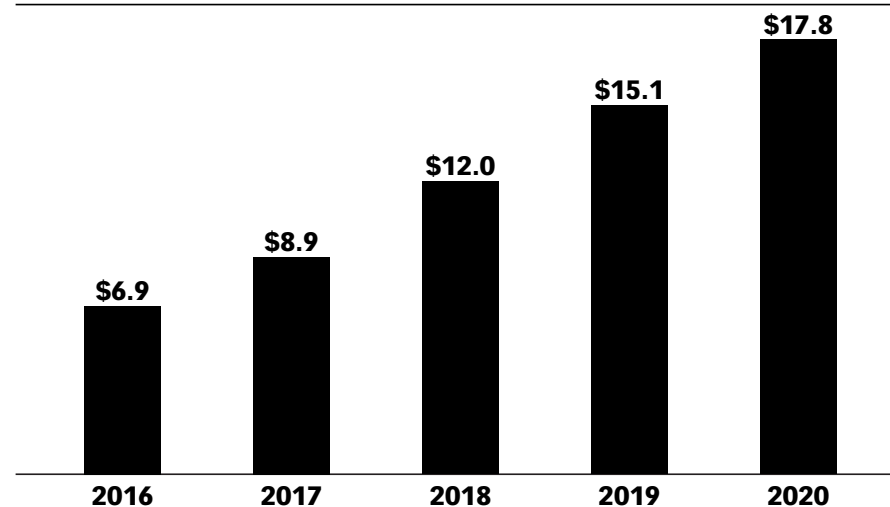


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Original content investment from Netflix has spawned a glut of shows, including titles like “Glow” and “Russian Doll.” The share of original content that Netflix added to its platform doubled between 2016 and 2018, per a report from TV analytics firm Ampere Analysis. Last year, originals accounted for about half of the content added to Netflix.

We forecast that 157.3 million US adults will use Netflix at least once per month in 2019, up 6.6% year over year.

### Netflix Content Spending Worldwide, 2016-2020 billions



*Note: in cash; streaming content only; 2016-2018=Netflix figures; 2019-2020=BMO Capital Markets estimates*

*Source: Netflix and BMO Capital Markets Corp. (Harris Nesbitt) as cited by Variety; eMarketer calculations, Jan 18, 2019*

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