

IAB EUROPE INDUSTRY INSIDER WITH XANDR

CONNECTED TV CHALLENGES AND OPPORTUNITIES FOR ADVERTISERS



June 2020

iabeuropa.eu

Table Of Contents

Introduction from IAB Europe	2
Introduction from Xandr	2
Opportunities	3
Challenges	4
The Technical View	5
The Industry View	6
The Buy-Side View	7
Headline Findings	8
Understanding of Connected TV	8
Investment Drivers and Barriers	9
Connected TV Campaign Measurement	11
Buy-Side Team Dynamics	12

Introduction from IAB Europe

Following the publication of the IAB Europe Guide to Connected TV, we are working with our members on a series of Industry Insiders to drill-down into how this emerging channel is developing across Europe and to help you make sense of the different perspectives, considerations and opportunities. In this Industry Insider, Xandr explores the challenges and opportunities for advertisers.

Introduction from Xandr

It's increasingly clear that consumers are spending more time watching video than ever. As users become more connected and devices proliferate, the formats through which they are consuming content is rapidly changing. Concurrently, the decline of traditional television viewership makes Connected TV (CTV) an exciting opportunity for advertisers, by providing unparalleled reach and targeting capabilities in high-quality environments.

As a result, brands and agencies should consider investing more time in understanding shifts in behaviour and plan their spend around opportunities to reach these audiences on their connected devices.

CTV advertising in Europe is full of promise but even if advertisers show a high interest, the level of investment in this nascent channel is still low. In this Industry Insider, Xandr, along with its experts explore the primary opportunities and challenges of CTV advertising. The results of a joint Xandr and IAB Europe survey are also shared to dive deeper into the drivers, challenges and adoption of Connected TV advertising as a media buying option in a changing TV landscape across Europe.

First, let's define the terms. IAB Europe recently published a Guide to Connected TV with a list of definitions for terms related to advanced TV. Here we focus on the definition of Connected TV and OTT.

Connected TV: Connected TV or CTV is a TV that is connected to the internet via an internal device (i.e. Smart TV) or an external device (for example, Apple TV, Roku or gaming consoles). Consumers access content or streaming services through these connected devices rather than through a traditional cable subscription or linear TV.

OTT: 'Over the top' media which encompasses all Linear TV or VOD streaming content providers (such as Netflix, Hulu, and BritBox) These content providers distribute directly to viewers over the internet, bypassing telcos, multichannel televisions and broadcast TV platforms that traditionally act as a controller or distributor of such content.

Opportunities

Connected TV is a huge opportunity for advertisers to reach key audiences with a compelling message on the largest screen in the household. With a changing dynamic between traditional TV and digital TV, connected TV has a bright future for ad supported content. The number of over-the-top - "OTT" - services, with media content increasingly delivered via the internet, is on the rise. [eMarketer predicts +12% in subscription OTT video viewers worldwide by 2023 and with estimations of over 22 million UK-based Netflix viewers by 2021](#), there are no signs that streaming, or OTT, services will lose momentum. On top of that, the rise of Smart TVs and streaming devices adoption across the world confirms the trend.

CTV offers the same impact opportunity for brands as traditional TV, of premium content watched on a big screen, only delivered through an internet connection. Brands get the benefit of a leaned-in audience that is likely more engaged because streaming viewers choose which content to watch as opposed to live TV, where they are locked into a finite number of channels with set programming.

CTV also offers the same ad quality and formats of TV, with high quality creatives, delivered in full screen. This advantage means CTV surely contributes to the typical completion rates, which are in the 90s for CTV. Another key element to the performance of CTV is data. The fact that television sets are increasingly connected to the internet opens up important opportunities for data-driven advertising. Consumer insights help advertisers get more granular in reaching audiences, at different stages in their purchase journey, and provide marketers with important insights about viewership habits and content consumption.

Due to the availability of data, CTV campaigns can be activated, optimised, and reported against much more quickly relative to TV.

Challenges

Like any growing format, issues of access, identity and fraud need industry collaboration and standardisation.

One key challenge impacting the CTV user experience is developing audience-targeted buys in the face of endemic identity challenges. In comparison to targeted digital display, CTV advertising doesn't rely on cookies or contextual targeting in the traditional sense. CTV devices also contrast with mobile phones, where a mobile identifier for advertising is made available by the app providers and consistent across the programmatic chain. When it comes to CTV there is no universal or persistent standard for device identification, and various players in the complex CTV ecosystem operate as disparate "walled gardens."

Because frequency capping, audience targeting and attribution rely on the existence of identifiers, the lack of persistent and standardised IDs on CTVs makes these functions challenging for advertisers. In an ideal scenario, there would be a standard for CTV identification – such as a user-resettable platform identifier representing that device, and consumers would be able to manage permissions for targeted advertising.

Access to fragmentation of supply is also slowing adoption of CTV. While ad spend on CTV is increasing significantly, there is general confusion on how to access CTV supply. Seemingly similar supply can be available across multiple points. 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. This premium content is still relatively scarce in Europe.

Finally, CTV fraud schemes are becoming more common (or at least being discovered more often), as high CPMs and little industry coordination in these early stages of growth have created an exploitable market. The lack of (a) standardisation of inventory signals and (b) CTV-specific seller authorisation (e.g. app-ads.txt) makes it difficult for platforms to combat fraud systematically. Therefore, collaboration with industry organisations around standards, as well as partnership with third party cybersecurity firms is critical to combatting bad actors as CTV grows in popularity.



The Technical View

Vincent Soucaret

Principal Solutions Consultant, Xandr

With growth comes many technical challenges. The wide range of CTV/OTT devices that support streaming have a variety of hardware, software and, therefore, varying capabilities.

Unique app identifiers and, to an extent consistent bundle IDs, are crucial for buyers, first and foremost, as a way of knowing which apps they are buying ad placements on, but also in targeting, blacklisting, brand safety, and fraud prevention. However, as we have learned from the mobile world, there can be inconsistencies caused by the use of the non-unique identifiers. In addition, lack of guidelines as well as OTT device fragmentation have caused confusion in the OTT/CTV app space. Standards and initiatives from the IAB and other industry bodies are important to follow in order to make CTV more accessible.

Creative quality is obviously very important when it comes to CTV. Too often we see ads in standard definition, some that don't fit the full screen, or others that are extremely loud compared to the content. Aspect ratio, bitrate and sound normalisation are just some examples of the creative specifications' buyers should look closely at. A poor ad experience is not only associated with the publisher but also gives a bad image for the brand.



The Industry View

Austin Scott

Head of Video Market Development in EMEA,
Xandr

With more people in the household using devices at the same time and for extended periods, consumers are spending more time than ever engaging with content. This is being seen across all formats but CTV is seeing a particular uptick.

It is no secret that consumer behaviour has changed: the number of 'over-the-top' (OTT) and subscription services are growing, even before the pandemic. The past year alone has seen the launches of Apple TV+, BritBox and Disney+ enter the market.

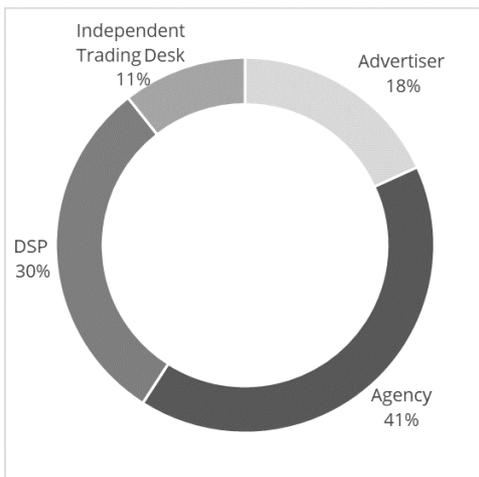
Whilst CTV is becoming a popular option for consumers, advertisers need to overcome the challenges around CTV to capitalise on this opportunity. Advertisers do have access to tools that attempt to solve the hurdles in cross-screen, cross-device fragmentation in CTV. Solutions currently offered by many DSPs and cross-channel video planning tools leverage probabilistic identity and modelled datasets to improve the effectiveness and accountability of CTV buying. However, their reliance on inconsistent and imprecise datasets still limits both reach and accuracy for audience-targeted buys in CTV environments. As CTV engagement increases, buyers should be educating themselves on the CTV ecosystem, the value of audience-based buying, and the ways in which their technology partners are navigating industry challenges to unlock the full CTV opportunity.

The Buy-Side View

In the first quarter of 2020 Xandr and IAB Europe conducted a survey to better understand the buy-side drivers, challenges and adoption of Connected TV advertising across Europe. The results show that Connected TV is a nascent channel for advertising in Europe, with investment low and more education needed particularly among advertisers. Levels of inventory supply and lack of data are also shown to be hindering adoption.

The findings also clearly outline the many opportunities for advertisers in Connected TV, from delivering TV campaigns at scale to targeting efficiencies. Combining this with more education into the format will translate into an upward tick in investment. Indeed, the majority of all stakeholders are expected to increase their spend on Connected TV in the next two years.

The 74 survey respondents represent all buy-side stakeholders



- 84% have 6+ years' experience working in digital advertising
- 36% indicate programmatic buying responsibility (serving as programmatic media directors or traders)
- 14% indicate global market responsibilities
- 10%+ respondents indicate buying responsibility within the following markets:
 - Germany (18%)
 - Spain (14%)
 - France (13%)
 - Switzerland (13%)
 - Austria (11%)
 - Finland (10%)

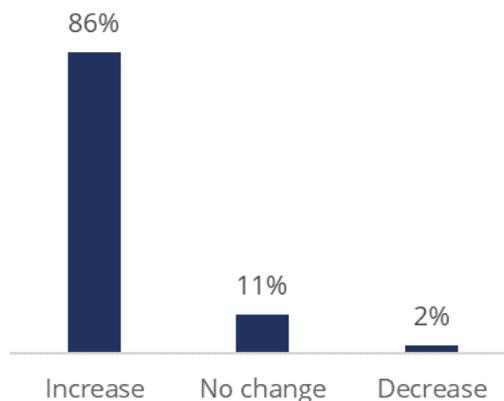
Headline Findings

Understanding of Connected TV

Most respondents are confident in their understanding of CTV and are familiar enough with the platform. While they don't currently spend significantly on or prioritise CTV, they see great opportunity over the next two years.

- Over half (52%) of respondents have a very good or excellent knowledge of CTV; only 13% cite their understanding as not very good or poor
- Just under half (49%) of respondents say they are very or extremely familiar with CTV
 - Just over one third (35%) are somewhat familiar
 - 16% say they are not very or not at all familiar
- 89% of respondents currently dedicate less than 10% of their total ad spend to CTV
- 53% of respondents rank CTV low, as something they rarely choose, in planning/buying media for reaching the target audience
47% say CTV is ranked medium/high in their media selections
- 86% of respondents foresee an opportunity to increase spend in CTV over the next 18-24 months

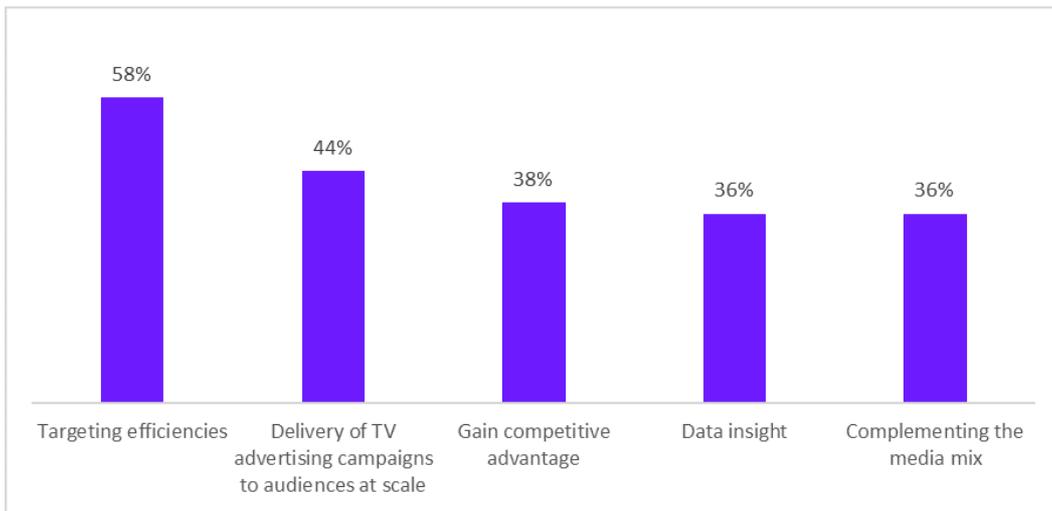
Investment increase / decrease over next 18-24 months



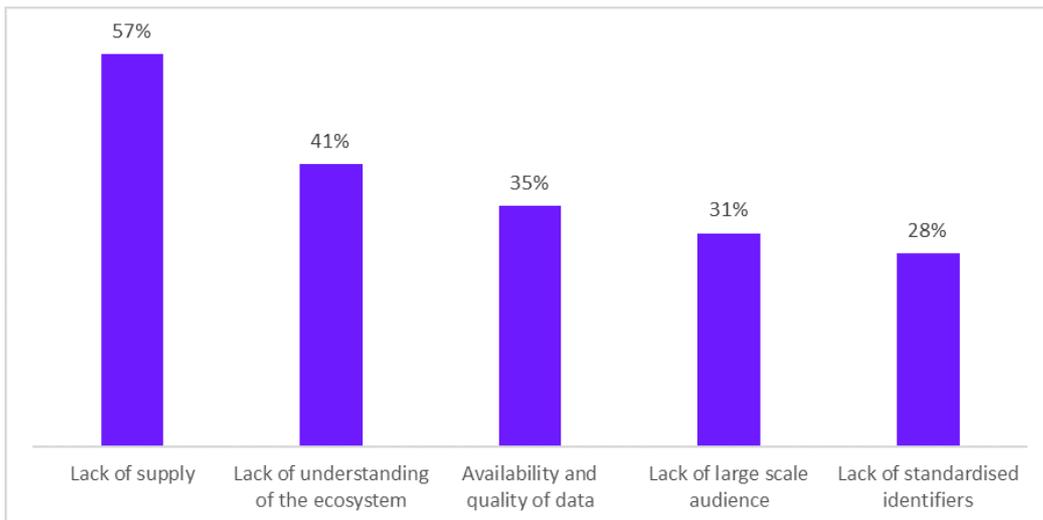
Investment Drivers and Barriers

The majority of respondents will consider investing in or increasing investment in CTV to achieve targeting efficiencies. To achieve even greater share of spend, CTV will have to overcome perceptions of lack of availability and inability to deliver on key drivers.

Top 5 Investment Drivers (all stakeholders)



Top 5 Investment Barriers (all stakeholders)



- 58% of respondents report targeting efficiencies as being a key driver to considering or increasing investment in CTV
- 44% of respondents cite delivery of TV advertising campaigns to audiences at scale as a key driver to considering or increasing investment
31% say lack of large audience scale is a key barrier to investing in CTV
- 36% of respondents said data insight is a key driver to considering or increasing investment
35% say availability and quality of data is a barrier to investing in CTV
- **About a third of respondents indicate the importance of CTV in complementing their media mix. The results indicate buyers would benefit from education on how CTV operates within the media ecosystem, across devices, and compared to linear TV.**
- 36% of respondents report complementing the media mix as being a key driver to considering or increasing investment in CTV
29% say complementing the media mix is important to evaluating CTV advertising campaign
- While over half of respondents (52%) say they had a clear understanding of CTV, 41% say lack of understanding of the ecosystem is a key barrier to investing in CTV
- Nearly all respondents (90%) expect they will reach their target audience by enabling CTV via Smart TV
 - 60% say streaming boxes (e.g. Apple TV)
 - 40% say HDMI sticks (e.g. Chromecast)
 - 40% say Gaming Consoles
- 58% of respondents say that CTV could help differentiate campaign outcomes compared to traditional TV; only 7% said it could not, 36% were unsure or yet to try it
31% say cost efficiencies compared to linear TV is a key driver for considering or increasing investment in CTV

Connected TV Campaign Measurement

Upper funnel campaign metrics are important to how buyers measure success of CTV ad campaigns. Incremental reach and frequency tops importance by a wide margin.

Metrics / KPIs rated as important to evaluate Connected TV campaigns

Incremental Reach & Frequency	86%
Brand Awareness	54%
Purchase Intent	44%
Ad Recall	35%
Complement Media Mix	29%
Drive to Ecommerce Site	23%
Footfall Measurement	21%
Brand Equity	6%
Likelihood to Recommend	4%

- 85% of respondents say incremental reach and frequency is important for evaluating CTV ad campaigns
24% say lack of incremental reach is a key barrier to considering or increasing investment
- 54% of respondents say brand awareness is important for how they evaluate CTV ad campaigns
22% say raising brand awareness is a key driver to considering or increasing investment in CTV

Buy-Side Team Dynamics

- The majority of digital buy-side teams combine CTV and digital responsibilities with no plans to separate. The results indicate that teams are confident in their understanding and execution of CTV advertising.
- 70% of respondents report that their digital advertising team is responsible for CTV
- Only 19% of respondents say lack of experience in agency team is a key barrier to considering or increasing investment in CTV
- Only 9% of respondents cite hiring people with the right skill set as a key barrier to considering or increasing investment in CTV
- Only 9% of respondents said that training people adequately is a key barrier to considering or increasing investment in CTV



Marie-Claire Puffett

Marketing & Industry Programmes Manager
puffett@iabeurope.eu

Helen Mussard

Marketing & Industry Strategy Director
mussard@iabeurope.eu

Gabrielle Le Toux

Senior Marketing Manager
Xandr
gabrielle.letoux@xandr.com

James Jones

Senior Marketing Director
Xandr
james.jones@xandr.com



iab europe
Rond-Point Robert
Schumanplein 11
1040 Brussels
Belgium

 @iabeurope

 /iab-europe

iabeurope.eu