

Connected TV

WHITE PAPER

DECEMBER 2018

CONTENTS

1. Introduction	3
2. Opportunities and Challenges	6
3. Status of Connected TV Advertising across Europe	10
4. Measurement	14
5. Creativity Considerations	17
6. Summary	21
7. With thanks	23
8. About IAB Europe and Contact	24



PLAY

1. INTRODUCTION

In the same way mobile phones used to be thought of as primarily for making calls, the idea that the norm for the big screen in the living room is for scheduled viewing has become equally out-dated. If consumers were asked what they mean by ‘connected TV’, they don’t think of devices or the internet, they talk of ‘recording’ from the guide, of searching or browsing for content, of ‘catch-up’ or ‘on-demand’. Instead of commercial models they talk of watching the latest blockbusters at home, or how much of their weekend they lost as a whole series suddenly became available to watch.

They also have choice, with a variety of content and entry points to connect their TV to the internet. What drives the audience’s choice when everyone is offering a great experience? The convenience of a single launching point such as a set-top-box drives viewing habits but additional viewing options are common too such as consoles, sticks and in-TV apps.



For the broadcasters or operators, individual connections to their audience brings the ability to offer them a personalised experience, and offer this connection to advertisers. Significant advantages of digital advertising such as targeted impact can now blend with the reach of linear TV. Paid-for access often sits alongside ad-funded content with the advantage of providing household-level information and an engaged viewer. In addition, efficiency is maintained among planning and booking systems which provide more transparency as well.

So, is it a dream come true for the advertiser – all the advantages of linear but now with targeting and measurement? Free of the restrictions of schedules are broadcasters seeing the connected audience watching more and reaping the associated spend?

One thing is certain – the audience has spoken. All empirical evidence reflects the growth of the viewing experience we all enjoy. Viewing is easier, getting content that consumers like is easier and without compromising the big screen experience.

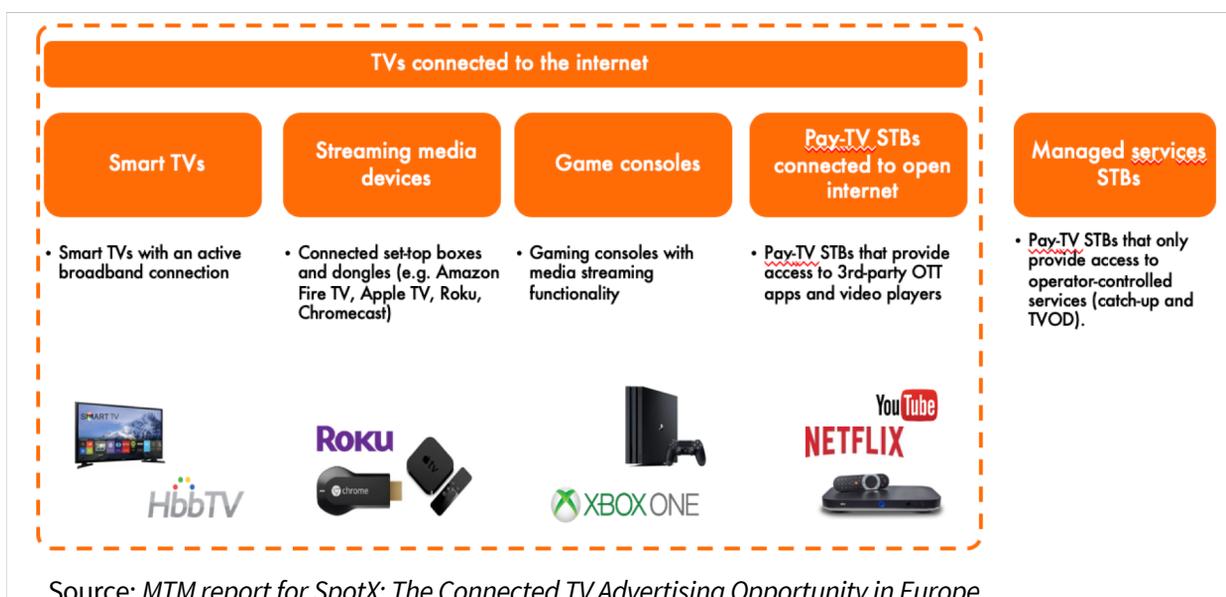
This paper may not solve the number of remote controls owned, but it will share the possibilities that this connected audience offers . Whilst the connected TV advertising model is still in its infancy, it brings opportunities and improves the chance of reaching a range of interest groups and demographics, including younger people who are watching less traditional TV.

The impact of the big screen in the living room has a proven heritage and whilst this may be an evolution of the medium, the fundamentals for the brands remains the same.

Definition

For the purposes of this white paper the authors define connected TV as: *Content that is transported from a content provider to a connected television screen over the internet outside the closed networks of telecom and cable providers. This includes smart TVs and televisions that are connected to the internet through devices such as gaming consoles (Xbox, Playstation, etc.), Blu-Ray Players or streaming devices (Roku, Apple TV, Amazon Fire TV, Chromecast, etc.). Connected TV provides opportunities to make an impact on the largest screens and captivate the audience with high completion rates and viewability in a lean-back environment.*

Figure 1 – What is Connected TV?



2. OPPORTUNITIES AND CHALLENGES

Since their launch in late 2013, the penetration of Smart TVs in UK households has grown by more three-fold from just under 12% in 2014 to 42% in 2017 (*source: Ofcom CMR 08/18*). Further, according to [eMarketer](#), half of France's internet users access streaming video services at least once a month. Therefore, devices such as Google Chromecast, and Amazon Fire, which connect TVs to the internet have also been widely adopted. Connected TV is playing a central role in the transformation of TV advertising in Europe, especially as Europe is the home of seven out of the 20 biggest TV advertising countries in the world (*Source: Zenith Optimedia Advertising Expenditure Forecasts, Dec 2015*).

2.1 Opportunities

The following outlines some of the key opportunities that connected TV presents.

Bridge the gap: This rise in connected households, provides advertisers with the opportunity to bridge the gaps between analogue excellence and the digital promise of personalisation at scale. It is not new news that the TV model, despite being king in media plans, is under increasing pressure and connected TV brings the hopes of a much needed transformation, especially amongst younger viewers and ‘cord-cutting’ audiences.

Personalisation: Whilst the connected TV advertising model is still in its infancy, one cannot deny the opportunities it brings in terms of targeting, personalisation, engagement and measurement. In more ways than one, connected TV advertising is the missing link between TV (and its broad reach impact) and digital.

Targeting: Connected TV is linked to a log in environment, users profiles are then linked with third-party data. The technology uses third-party data to complete users’ profiles based on geolocation, zip code, interests, online behaviour, device, language and others. Precise audience segmentations allows targeting brand-receptive audiences with relevant messages, bringing more value to the brand.

Audience insights: It brings automated transaction models and yield optimisation to the broadcasters' inventory as well. When synchronised with online advertising campaigns, connected TV can support a holistic view of the consumer decision journey and possibility of more accurate campaign measurement. Therefore, it provides additional audience insights for use in advertisers' marketing strategies.

2.2 Challenges

The challenges faced by the current connected TV advertising model are not without echoing the ones of programmatic advertising ten years ago. Advertisers like the TV medium because it offers stability, proof points and confidence in brand impact. It comes with all of the advantages of a “lean-back” media. So, why would brand try to fix a model that is not yet fully broken? As brands compete for attention, connected TV can be seen as a ‘new opportunity’. However some of the key challenges are:

Scale and fragmentation: Connected TV advertising is delivered to the TV screen and therefore it creates the perception that it's the same as linear TV advertising. While the user experience may be similar, the size of the audience on ad-supported connected TV services does not yet measure up to most broadcast or cable networks. If linear TV is a place where advertisers can reach their goals, connected TV isn't there yet. Additionally the ad inventory pool is highly fragmented which makes it difficult for a media buyer to navigate.

Agility: Companies may need to change their organisational structure by combining TV and video teams to cope with digital and TV convergence. This could prove to be a challenge for some companies with legacy structures and teams.

Technology: Compared to other media, advertising technology in connected TV advertising is far from being consolidated or easy to navigate. Google, Amazon, Facebook and other media giants have made it easy to buy and sell media on their platforms. When it comes to connected TV, there is a real need to define ad tech standards. Lack of consolidation and standards make it difficult to have an integrated online video strategy. The question then becomes, what framework should connected TV adopt when both publishers and advertisers are expecting the automation of inventory management and buying models?

Stability: There is a lot of evolution in the digital and TV industry right now as the two ecosystems work to establish a harmonised approach to delivering connected experiences for audiences.

Measurement: This is an opportunity as well as a challenge. Both are expanded on in section 4.

3. STATUS OF CONNECTED TV ADVERTISING ACROSS EUROPE

The adoption of connected TV varies across Europe is dependent on several key variables which include consumer awareness of connected TV, broadband speed and penetration in the country, and the availability of free-to-air TV. The adoption of connected TV is, at present, an urban phenomenon across Europe with the opportunity for development in rural areas.

ESTIMATED VALUE OF CTV ADVERTISING¹



NOTE: (1) ESTIMATE IS OF THE VALUE OF ADS DELIVERED TO CONNECTED TVs; IN THE UK, VERY FEW PUBLISHERS

Source: MTM report for SpotX: The ConnectedTV Advertising Opportunity in Europe

In Germany, where television is hugely popular, and the internet is widely available, there is a wealth of options for subscription-based video-on-demand (SVOD) services with good competition amongst providers driving the uptake of connected television. As audiences are becoming more aware of how they can watch content through mobile phones, set-top-boxes, streaming devices, games consoles and smart TVs, advertising investment will increase.

In Spain broadband speed and penetration is excellent, creating optimism about the future of connected TV in the region. Audiences are well informed and the strong demand from advertisers and their agencies outpaces the available supply of inventory. Broadcasters such as Atresmedia are benefitting from these changes. As the production of local broadcast content in Spain increases and becomes available on connected TV platforms, the Spanish market will see the new ecosystem develop faster.

Like Spain, the success of connected TV in France is dependent on more local content being produced. According to [eMarketer](#), half of France's internet users access streaming video services at least once a month. Most of these consumers access free over-the-top (OTT) video services following patterns identified in the US and UK. France also benefits from advanced video measurement which was introduced into the market by Médiamétrie in 2016 and provides more standardised analysis across digital and TV.

There is a predominance of IPTV viewing, which could pose a barrier to connected TV growth as customers access only the content provided by their chosen provider, rather than over the open internet, but awareness amongst consumers is high and advertisers are keen to deploy data-driven programmatic advertising on TV sets.

In Italy, there is a strong culture of free-to-air live broadcast TV which has limited consumer adoption of connected viewing. Smart TV and broadband penetration is low, especially outside urban areas, and broadband speeds are also low so broadcasters are less motivated to harness the new OTT ecosystem. However, demand from advertisers remains strong and rapid growth is expected.

The UK has one of the highest levels of broadband penetration in Europe; [91% of UK households have fixed broadband connections, of which 91% are over 4Mbps](#) coupled with strong device penetration. There is also widespread audience awareness of connected TV with a rising culture for watching TV across multiple devices such as mobile or tablets and through catch-up or streaming services. Hit shows such as ITV's 'Love Island' are streamed live by many viewers watching on handheld devices in addition to the TV set. Many major global advertisers see enormous value in the cross-screen, brand-safe environment afforded by advertising on a connected television.

As a result, broadcasters in the UK interviewed for SpotX's [research into connected TV](#) believe that connected TV should be a top priority for them over the next three years supported by the UK's well-established programmatic video advertising ecosystem.



4. MEASUREMENT

One of the important and certainly the most daunting questions is how is the impact of connected TV advertising measured?

This is one of the reasons that investment in connected TV have been held back. Indeed, measurement and standardisation in connected TV is still being figured out. On the one hand connected TV is not accounted in the traditional sense of linear TV; on the other hand, while it is an IP-connected device, it does not support cookies or third party measurement scripts – to avoid risks to the viewing experience – so measurement tags do not work on connected TV devices.

Demand Side Platforms (DSPs) can provide detailed reporting insights into ad completion rates or view-through rates (VTRs), though these are not necessarily tied to business outcomes.

As a digital and impression-based medium, the standard TV GRP metrics cannot give an accurate measure of a true connected TV environment, which also does not account for co-viewing widely held by the TV industry to be important in a TV environment (perhaps 1.6x actual viewing). The lack of common currency or an equivalent to linear TV GRPs for connected TV has actually restricted TV budget shifting to these audiences.

Third party measurement providers are now addressing the need for better metrics as part of cross-screen measurement by applying proxy solutions. The technology is there for advertisers to draw on deeper data analytics and extract a proper view of consumer behaviour and multi-touch attribution. To really understand whether a campaign is achieving its goals and delivering true ROI, multi-touch attribution is key, providing a weighted model to allocate credit to a variety of channels that a consumer touches. As marketers run cross-platform campaigns, buying on digital, connected TV and linear TV, it becomes more difficult to tie a metric to a specific channel. Cross-screen attribution methodologies are driven by the use of device ID matching across addressable, linear and connected TV homes to develop cross-device measurement tracking. With multi-touch attribution, mixed media modelling is used and first-party CRM data layered with ingested second and third party data. The optimisation of cross-screen attribution allows advertisers to fine-tune creatives by channel and device, as well as identify attribution insights that drive media optimisation for e-commerce and drive-to-retail campaigns.

From an audience targeting stand point a device ID (the unique ID assigned to a connected or smart TV) can enable targeting by device, giving advertisers more opportunities to leverage their first party data or DMP to reach their identified audiences. Working with publishers (who can share these) will open up opportunities for marketers paving the way for cross-device, household targeting.

It is also important to highlight the [Identifier for Advertising](#) (IFA) the standard device ID released by the IAB Tech Lab which will enable enhanced targeting, measuring and frequency capping.

There is still some way to go in terms of measurement for connected TV but good advances are being made and strong alternatives are in place and should not deter advertisers from embracing the unique opportunities provided by the medium, bringing the best of digital and linear. As audiences are shifting away from the traditional linear TV viewing, there is a chance to follow and reconquer these audiences on OTT/CTV platforms, maximise reach and address consumers in a more personal way.

5. CREATIVITY CONSIDERATIONS

The advent of TV advertising was one of the most instrumental in advertising evolving narratives that could be potent in their own right, or could be stitched together and episodic over time, mirroring the programming they were in, tying into the loyalties of the audience within channels, dayparts and the programmes themselves. TV adverts that could form events, that have potentially created an emotional attachment and demonstrated a brand identity which defined a brand's legacy. A lot of the success of TV is down to how consumers cognitively connect with sound and moving image, as opposed to print; for example, a text-heavy ad alongside written content will stimulate different parts of the brain to a video pre-roll ad alongside video content. There is undoubtedly great storytelling in online content, but how does this compare to some of the emotions consumers feel watching landmark pieces of TV; JR being shot in Dallas, Zidane being sent off in the world cup final, the battle of the Bastards in Game of Thrones to name a few examples.

This is not about connecting advertising to programming, it is about connecting it to consumers, their motivations and their emotions.

Whilst it might seem glaringly obvious, a good creative ad experience between TV programming should not have to borrow everything from its digital sibling, even if the DNA of the solution is the same. So despite the serving of programmatic creatives in defined banner placements, the future of connected TV creative of course lies with video.

So at this point a few obvious creative considerations open up, the most obvious being **weight**; the quality of the creative mirroring that of the content, so it does not negatively affect the experience. With HD becoming the minimum standard and 4K prevalent for programming that falls into more premium territory (sport, films, etc.), this becomes a creative technicality as we define weight as a major factor.

Next there is **length**; should the creative 15 seconds, 30 seconds, is it to follow a 30 spot as the TV standard? Additionally, what does this mean for ad breaks in general? Longer TV ads could be anything from infomercials to cinematic experiences. In tracking user propensity to view, we will start to ascertain what is connecting, for who. Commonly 15 or 30 second spots are the preferred lengths.

Finally there is the all-important one for connected TV, **the message**. As mentioned, the first thing to do is map any creative format to the experience at hand and not offer anything that is jarring or incongruous. Where there is a correlation here is in messaging within the ads. On a website, a user's behaviour is to read and watch, which is matched in creative that can be visual, but commonly has text as a larger ratio within the creative. Creative for connected TV generally has the inverse, with the visual imagery of the video forming the whole, with overlaying messaging and end cards catering to the user connection. The first layer of this is data infusion: understanding the viewer/household's interests, behaviour and socioeconomic status. Adding contextual elements such as time, date and weather targeting to create a deeper connection enables the creative to go beyond the standard programming and tap into user sensibilities for all programming at all times of the day. So, like the stitching together of creative elements in dynamic ads, the ability to connect the different layers of a creative to create relevance to the user is realised.

With a unified methodology to cater to all digital mediums and utilising real-time asset assembly, connected TV has the potential to become a pivotal part of storytelling at both ends of the funnel, whether it is a large, expensive piece of delineated branding or granular targeted attribution. With this comes, not just bespoke creative, but a tangible sense of interaction. This is not just CTAs, but social media touchpoints, search activity and where it could be of real benefit is the connection to the programmes themselves,

which are a cornucopia of information; objects, themes, locations, all of which can be mapped to the audience using the right data signals.

So, the future of the creative could be seen to lie midway between the dissection of the programming itself and the audience on the other side and as it has been slowly proven to be elsewhere too, programmatic is the prism through which this is happening.



6. SUMMARY

This white paper reveals an emerging ecosystem set to capitalise on changing TV viewing behaviours. Advertisers and their agencies can see the benefit of combining digital advertising techniques and technology with the benefits of a bigger screens, the application of data and reaching more engaged viewers.

There is still progress to be made in measuring the effectiveness and results of connected TV advertising, but the opportunity to measure it more accurately than offline media is enticing brands, technology companies and ad tech platforms.

In terms of the creative, connected TV has the potential to become an incremental part of brand building and with that there is a clear opportunity for European broadcasters looking for incremental revenue from connected TV.

As audiences continue to watch TV but shift their viewing habits to incorporate mobile viewing as well as more connected television, PC and mobile viewing, live-streamed and ‘catch-up’, the demand from advertisers to reach these audiences more efficiently and effectively will only increase. Awareness amongst consumers for these options across Europe is generally high and it is now in the hands of the broadcasters to capitalise on the opportunities of the new ecosystem.



WITH THANKS

IAB Europe would like to thank the white paper leader that helped to edit and compile the update to this white paper:



Joanna Burton, VP European Strategy, SpotX (RTL Group)

And the white paper contributors that provided content for this white paper:



David Hillier, Creative Solutions Lead, Adform



Aurelia Noel, Global Digital Partner – Digital Transformation, Carat



James Havelock, Advisory Services Manager, Advanced Advertising, FreeWheel

Emmanuel Josserand, Brand, Agency and Industry Relations, FreeWheel



Ilke Yirik, Precision Strategy Director, Publicis Media



ABOUT IAB EUROPE

IAB Europe is the leading European-level industry association for the digital advertising ecosystem. Its mission is to promote the development of this innovative sector and ensure its sustainability by shaping the regulatory environment, demonstrating the value digital advertising brings to Europe's economy, to consumers and to the market, and developing and facilitating the uptake of harmonised business practices that take account of changing user expectations and enable digital brand advertising to scale in Europe.

CONTACT



www.iabeurope.eu



[@iabeurope](https://twitter.com/iabeurope)



[/iab-europe](https://www.linkedin.com/company/iab-europe)



Marie-Clare Puffett
puffett@iabeurope.eu