



PREMIUM VIDEO TRENDS

A Marketer's Guide: The New Rules Ahead for Streaming TV Advertising



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 **TABLE OF CONTENTS**

Executive Summary	2
State of the Market	3
Table 1. IAB Digital Video Glossary – Selected Terms	3
Table 2. Examples of CTV Ad-Supported Services and Players	4
BIA Local CTV/OTT Ad Forecast	5
Figure 1. 2020-2026 Local OTT Ad Spending Forecast (\$000s)	5
Considerations for CTV Advertising Success	6
Key Advertiser Takeaways	8
Conclusions	10
About BIA Advisory Services	10
About PREMION	10

EXECUTIVE SUMMARY

The pandemic has accelerated consumer behaviors and trends that are redefining a new era of TV consumption — OTT viewing is now the ubiquitous form of TV viewing.

While the cord-cutting and streaming shift was well underway, consumer adoption of OTT services increased dramatically last year with the surge in home-bound audiences turning to streaming platforms as their primary source of video entertainment and information.

2020 was a defining year for ad-supported OTT growth. Advertising Video on Demand (AVOD) and Free Ad-Supported Streaming TV (FAST) services have proliferated. These free and lower priced ad-supported subscription tiers are an attractive value proposition for cost-conscious consumers and offer brands a way to activate OTT audiences with highly popular content. In 2021, we continued to see strong growth in virtual multichannel video programming distributors (vMVPDs) or skinny bundles of OTT services as replacements for traditional cable services.

We developed this white paper to examine the fast-evolving OTT marketplace trends, vertical industry opportunities, and advertiser priorities in the planning, buying, and measurement of streaming TV advertising. Connected TV (CTV) viewing or viewing specifically on smart TVs or through streaming devices, accounts for most of the screen time and ad spending. As such, CTV is the focus of our report, as this is where most media buyers look within the OTT ecosystem to complement their traditional TV ad spending.

With the rapid growth in streaming audiences, advertisers are re-adjusting their media mix to shift bigger budgets to CTV advertising, and thus beginning to close the gap between CTV viewership and ad spending.



Key takeaways for CTV advertisers include:

- The pandemic accelerated growth of viewing and ad spending in CTV in 2020 and 2021, several years ahead of prior forecasts.
- Local relevance has become a top priority for advertisers in reaching the right audiences for the post-pandemic era.
- CTV as an advertising platform combines the best of digital with its measurement, audience targeting, and attribution capabilities — and the best of the big screen TV experience in long-form, lean-back premium, and brand-safe content.
- Adding CTV to linear TV campaigns provides advertisers with reach extension to capture shifting audiences by engaging with viewers that they wouldn't reach through linear TV alone.
- For digital-first performance marketers that prioritize search, display, and social channels, CTV offers a highly affordable and effective way to target high-value audiences with precision and outcomes-based measurement.
- With increased fragmentation, advertisers need to understand what they are buying and where their ads are running to ensure that their campaigns are brand-safe and fraud-free.

STATE OF THE MARKET

Streaming television was already a high-growth media segment and was further accelerated by the pandemic to reach new heights in viewership and ad spending.

A Surging Channel with Viewers Watching More CTV

2020 was a year of explosive growth in CTV viewing with home-bound consumers spending more time streaming more content and this trend continued into 2021. According to eMarketer's 2021 forecast, the average time spent per day streaming on a connected device will be about 50% compared to the average time spent watching television.¹ In parallel, the pace of cord-cutting is accelerating. eMarketer forecasts that the number of cord-cutter households will increase from 35.2 million in 2021 to 38.4 million in 2022,² and it also projects that the number of cord-never households will increase from 20.2 million in 2021 to 21.2 million in 2022.³ According to a recent Leichtman Research Group study, there are now nearly 400 million CTV devices in the U.S., 80% of U.S. TV homes have at least one CTV device, and 64% of U.S. TV households have three or more CTV devices.⁴ Despite the explosive growth in streaming audiences, CTV ad spending is still catching up to viewership. According to eMarketer, CTV ad spending will account for only 5.7% of projected overall media spending in 2022.⁵

A Defining Growth Year for Ad-Supported OTT

As streaming growth spiked, so did the use of ad-supported OTT. "We were already on this trajectory that has been propelled further by the pandemic. You can estimate it as a three to five-year acceleration of where ad-supported OTT was already headed," said Tom Cox, President of PREMION.

Consumers have embraced ad-supported OTT and ad-based video on demand (AVOD) offerings in a major way. In fact, the IAB found that 76% of those who regularly stream video have watched ad-supported video on demand services.⁶ U.S. TV viewers are more than five times more likely to prefer free or low-cost streaming TV with ads, over streaming services with higher monthly subscription fees with no ads (72% versus 14%), according to a January 2021 Future of TV survey.⁷ Furthermore, the U.S. is expected to triple AVOD revenues by 2025, reaching \$24 billion, according to Digital TV Research.⁸



Table 1. IAB Digital Video Glossary – Selected Terms

OTT: Over the Top

Over the Top Video is video content transported from a video provider to a connected device over the internet outside the closed networks of telecom and cable providers.

CTV: Connected TV

A television set that is connected to the internet via OTT devices, Blu-ray players and gaming consoles or has built-in internet capabilities (i.e., a smart television) and is able to access a variety of long-form and short-form web-based content.

AVOD: Advertising-Based Video on Demand

A streaming video service that offers consumers access to a catalogue of on-demand content and contains advertisements.

SVOD: Subscription Video on Demand

A streaming service that consumers subscribe to for a fee and can access a catalogue of on-demand content.

FAST: Free Ad-Supported Streaming TV

An ad-supported streaming service featuring VOD (video on demand) content and (frequently) a number of linear-like channels based on that VOD content as well. It's also 100% free; in fact, most FASTs don't even require an email address to sign up.*

vMVPD: Virtual Multichannel Video Program Distributor

New form of digital-only cable alternative which provides access to on-demand and live content delivered over the internet without the traditional network infrastructure.

MVPD: Multichannel Video Program Distributor

A service provider that delivers video programming services, usually for a subscription fee (pay television). Usually includes cable, satellite, and telecommunications service providers.

Source: IAB, Digital Video Glossary, December 2018
*Source: TV[R]ev, TV in the FAST Lane, September 2020

Note: OTT and CTV are sometimes used interchangeably in common industry parlance since CTV comprises the vast majority of OTT ad spending at this time.

1 eMarketer, Average Time Spent per Day with TV, April 2021; eMarketer, Average Time Spent per Day with Other Connected Devices, April 2021, Copyright © 2021 Insider Intelligence Inc. All Rights Reserved

2 eMarketer, U.S. Cord Cutter Households, September 2021, Copyright © 2021 Insider Intelligence Inc. All Rights Reserved

3 eMarketer, U.S. Cord Never Households, September 2021, Copyright © 2021 Insider Intelligence Inc. All Rights Reserved

4 Leichtman Research Group, Connected and 4K TVs 2020

5 eMarketer, Connected TV Ad Spending, October 2021, Copyright © 2021 Insider Intelligence Inc. All Rights Reserved

6 IAB, OTT Streaming Video Playbook for Advanced Marketers, December 2019

7 The Trade Desk, New Survey Shows 27% of U.S. Households Plan to Cut Cable TV Subscriptions in 2021, January 2021

8 Broadband TV News, Global AVOD Spend Set to Double, June 1, 2020

New Streaming Services See Early Engagement Success

The streaming wars continue to escalate as more consumer streaming services enter the fray. 2020 saw the launch of several streaming services and in 2021, we saw the arrival of an ad-supported version of HBO Max, the continued scaling and reach of Discovery+, and the unveiling of Paramount Plus in March as part of a rebrand of the CBS All-Access product offering. Many of these new service offerings experienced high viewer engagement quickly. Disney+ announced that it reached 118.1 million subscribers in October 2021 and Peacock, NBC's ad-supported service, reached 54 million subscribers in the second quarter of 2021. Furthermore, Free Ad-Supported TV Streaming (FAST) services, such as the Roku Channel, Pluto, Vudu, IMDb and Xumo continued to experience strong growth in 2021.

Table 2. Examples of CTV Ad-Supported Services and Players

Source: BIA Advisory Services, July 2021

AVOD: Ad-Supported Video on Demand		
Hulu Discovery + Peacock	Paramount+ Tubi	<ul style="list-style-type: none"> • AVOD services require user accounts and have multiple business models including free to the consumer, no-ads or reduced ads for a subscription, or subscription that includes ads.
FAST: Free Ad-Supported Streaming TV		
Pluto TV Vudu Xumo Roku Channel	IMDb TV Samsung TV+ Vizio Watchfree VUit	<ul style="list-style-type: none"> • FAST is a subset of the AVOD video segment that offers only ad-supported, free to consumer service. • Access is ad-supported and free and does not require a subscription to access. • Content is a mix of original content but is primarily licensed content aggregated into a single user interface.
vMVPD: Virtual MVPD		
Hulu Live Sling TV	YouTube TV fuboTV	<ul style="list-style-type: none"> • Similar to a traditional cable or MVPD offering, vMVPD is an internet based subscription that features a mix of linear channels from traditional media companies and digital networks as well as VOD content. • vMVPDs typically include local broadcast TV stations in their packages. • "Skinny Bundles" - positioned to be cheaper than MVPD with a limited, more preferred mix of linear channels rather than charging for channels consumers do not watch.

Advertisers Follow the Consumer Lead

CTV advertising combines the best of digital with its measurement, audience targeting, and attribution capabilities — and the best of the big screen TV experience in long-form, lean-back premium, and brand-safe content. Furthermore, CTV offers a cost-effective way to extend reach and minimize waste in ad spending.

As advertisers follow their audiences, the ability to target consumers with precision and scale will see streaming TV capture an even bigger share of media budgets in 2022. In fact, eMarketer projects that U.S. CTV upfront spending will reach \$6 billion in 2022, with overall U.S. CTV advertising hitting \$19.1 billion in 2022.⁹

Some of the streaming TV growth metrics are startling. For example, in January 2021, Xumo reported 24 million average monthly viewers, up from 9.6 million prior to the Comcast acquisition. Tubi, Fox's ad-supported service, surpassed 3 billion hours streamed and Pluto TV saw monthly viewers top 52 million in the second quarter of 2021.

CTV continues to outpace other formats and shows no signs of slowing down, according to IAB's "Video Ad Spend 2020 and Outlook for 2021" report, released at the IAB 2021 NewFronts. The report finds that nearly three-quarters (73%) of CTV buyers report shifting budget from broadcast and cable to CTV in 2021. Advertisers, on average, spent \$20M on CTV in 2020, and more than a third (35%) of buyers planned to increase CTV video ad spending in 2021.¹⁰



9 eMarketer, Upfront Connected TV Video Ad Spending, May 2021; eMarketer, Connected TV Spending in the U.S., 2019-2024, October 2021, Copyright © 2021 Insider Intelligence Inc. All Rights Reserved
10 PR Newswire CISION, Connected TV is the Driving Force in 2020 Digital Video Advertising Spend, May 4, 2021

BIA LOCAL CTV/OTT AD FORECAST

In response to local market dynamics, advertisers are placing greater importance on local advertising. CTV enables national, regional, and local advertisers to target local audiences with precision. A local CTV campaign allows advertisers to cost-effectively focus on specific audiences and offers the ability to dynamically insert creative that is more geographically relevant — thus driving higher ROI than national campaigns.

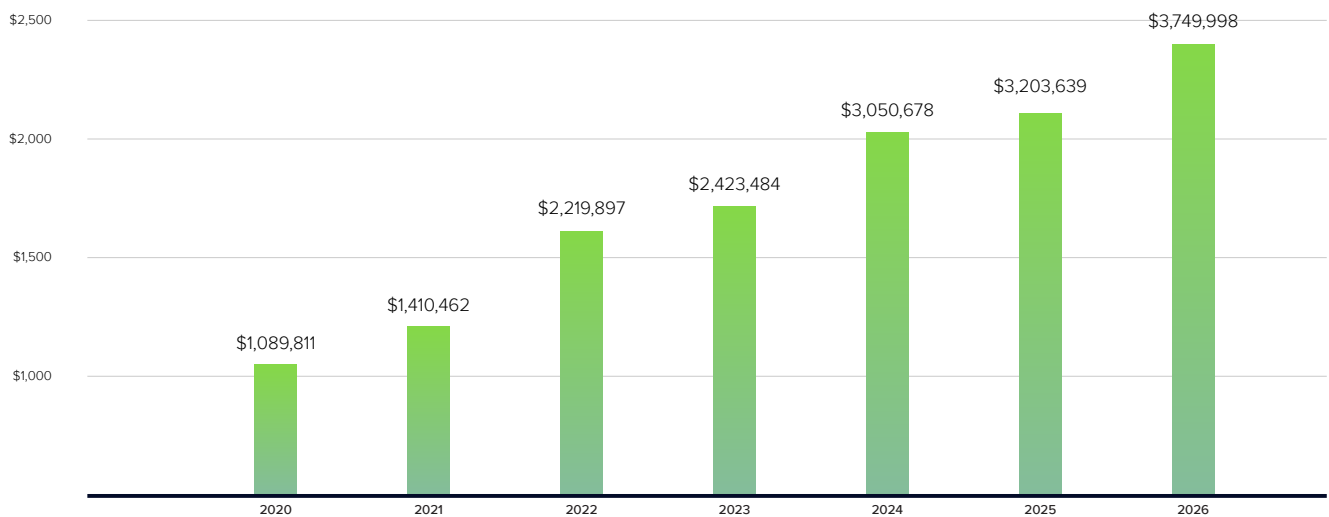
BIA estimates local OTT ad spending (i.e., geotargeting local audiences) will increase 57% from \$1.4 billion in 2021 to \$2.2 billion in 2022. This will increase to \$3.8 billion by 2026.

In the chart below BIA forecasts that local OTT spending will grow to \$3.8 billion by 2026 with a +22% CAGR. Over 90% of this OTT spending will be in CTV advertising.

The remaining portion of OTT ad spending is for streaming video viewed not on TV sets but on smartphones, tablets, laptops, and PCs.

Figure 1. 2020-2026 Local OTT Ad Spending Forecast (\$000s)

Source: BIA Advisory Services, December 2021



CONSIDERATIONS FOR CTV ADVERTISING SUCCESS

The spiraling growth of streaming TV options is bringing greater fragmentation to the OTT ecosystem and adding more complexity for marketers. Today, there are a plethora of options to reach audiences that are potentially watching the same shows on different streaming platforms. Media buyers can buy direct, work with aggregators or buy programmatically. As such, they need a true understanding on the varying capabilities of providers to understand what they're buying and where their ads are running, along with transparent and detailed reporting to measure performance.

Understanding the Structural Differences Among Providers

While many providers claim to offer premium inventory, it's essential for advertisers to understand the structural differences in media buying models and the interpretations of quality and sources of inventory offered, such as: what exactly are you buying and where are you buying from?

Structural differences among key providers:

Single Source (Walled Garden):

Some providers that are focused on a single platform (walled garden) are limited in their ability to reach massive audiences beyond their subscribers. Furthermore, measurement and transparency are concerns for marketers when dealing with walled gardens.

Open Exchanges:

Open exchange platforms present tremendous risk because they deal with unknown content sources and blind-bidding. This leads to increased fraud and lack of transparency, and there is no guarantee on where an ad will run.

Limited Footprint:

Some providers (for example, cable companies) are focused on inventory within a limited footprint. Even with cable interconnects these geographical limitations mean reaching less than the full TV market when placing the ad buy.

Working through a CTV provider who directly sources inventory with upfront and secured deals in brand-safe, premium content is a preferred practice for a growing number of media buyers looking to achieve effective ROI on ad spend.

Prioritizing Localized Campaigns

As businesses focus on the economic rebound, advertisers across industry categories are taking a localized approach by aligning spot buys with changing local market dynamics. As such, geotargeting and dynamic creative are even more important. Furthermore, as national advertisers shift their focus to local campaigns, they're seeking more granular insights at a national-to-local level to be able to personalize, localize and deliver more relevant ads to reach their desired audiences with on-brand messaging.

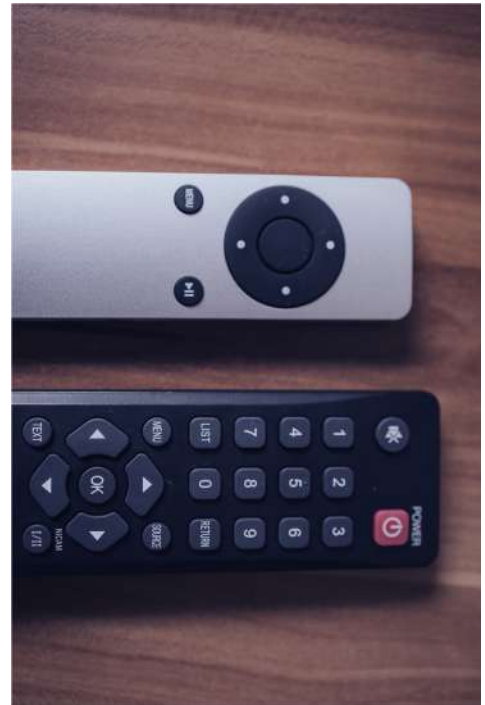
The addressability of CTV enables advertisers to target local audiences at scale. They can target by designated market area (DMA), states, and zip codes and can combine this geo-targeting with behavior or interest categories. With addressable targeting, viewer data is captured and analyzed into audience segments, such as auto intenders, and applied to campaigns. Brands can also adapt and tailor their messages to communicate how they're serving their local customers differently. With dynamic ad insertions in CTV, advertisers can easily swap out creative to deliver a personalized and relevant advertising experience. As such, CTV advertising is also an ideal channel for mobile advertisers that are seeking new and effective targeted advertising options with the shift to a cookie-less environment. Unaffected by the recent consumer privacy changes and cookie constraints, CTV is not only a great alternative to mobile but offers richer audience insights that are invaluable for advertisers to find and reach qualified audiences.

The Power of Pairing CTV and Local TV

Advertisers are leveraging ad-supported OTT to complement linear as an audience-reach extension, capturing shifting audiences by engaging with viewers that they would not reach through linear alone. Without CTV and OTT in the mix, advertisers are potentially missing out on a huge local audience segment.

New innovations for managing incremental reach and frequency across CTV and linear are available to deliver more effective results for advertisers. For instance, with automated content recognition (ACR) technology embedded in smart TVs, advertisers can now measure the effectiveness of both CTV and linear ad campaigns to allow for better planning of media spend. Access to this data can show an advertiser whether they've gained a higher percentage of incremental CTV reach. Essentially, combining CTV and linear TV inventory can drive increased business outcomes for advertisers by extending both reach and engagement.

Additionally, advertisers are looking for greater simplicity and scale in planning, buying, and measurement, and they're seeking unified packaged solutions – thus the need for tighter integration and packaging between ad-supported CTV inventory and broadcast TV inventory.



An Affordable and Effective Option for Digital-First Performance Marketers

For digital-first performance marketers that tend to prioritize search, display, and social advertising, traditional linear TV is often considered to be out of reach for those with smaller budgets — and its broad audience approach leads to higher media waste. However, CTV and OTT offer a highly affordable way to target high-value audiences with precision and drive measurable performance outcomes. For instance, a DTC fitness brand can execute a CTV campaign that serves ads to health and wellness enthusiasts in a specific geography, thereby minimizing media waste and maximizing the precision of the campaign.

Driving Business Outcomes with Attribution

Marketers are demanding data-driven advertising now more than ever. The ability to understand how your customers heard about your brand and how they're interacting within a purchase funnel is essential to prove the ROI and value of your ad spend. Thus, attribution plays a crucial role in media planning and buying to truly measure the spend impact. With surging streaming TV viewership, advertisers are increasingly turning to CTV advertising to reach a highly engaged audience and drive measurable outcomes — and new attribution capabilities make streaming TV advertising even more enticing.

Brands can now look beyond video completion rates as a key metric of success as they can connect CTV viewership to direct business results. This could be as granular as running an automotive ad on CTV and then determining how many people visited a dealership or a dealer website after viewing an ad. Website attribution measurement can be done through placing a tag on a client's website to track how many viewers that were served an ad subsequently went to their website. For footfall attribution, there are third-party vendors that measure when customers walk into a store. This data is then connected to ad exposure to measure conversion rates of CTV viewers to in-store visits. Proving the value of streaming TV advertising begins with setting clear campaign objectives and it can span demonstrating website and in-store visits to measuring incremental reach or brand and sales lift.

Combating CTV and OTT Ad Fraud

Brand safety and ad fraud remain top advertiser concerns. A recent Pivalate report found that over 25% of programmatic OTT/CTV is invalid traffic.¹⁸ As more ad dollars chase the explosive growth in streaming TV audiences, we can expect ad fraud to grow as video ad impressions are lucrative compared to other forms of digital advertising, which makes this appealing to fraudsters.

There are several considerations for marketers to keep top-of-mind for ad fraud protection:

- Understand what the supply path is to the inventory you are buying, and what kind of fraud protection is within that supply path. It's very simple to ask any agency or vendor to explain how their inventory is sourced and how they safeguard against fraud.
- Determine whether there are any open exchanges or unknown publishers in your buying mix. Look for partners that work with trusted and valued publishers instead of open exchanges.
- Work with ad partners that ensure transparent accountability for your campaigns. Ask them what they're actively doing to prevent fraud within their platforms and if they're aware of different schemes that are being perpetuated on the industry.

Brands should demand this accountability from their agencies and providers. Above all, advertisers should look for the TAG Certified Against Fraud Seal of approval to ensure that they're choosing trusted providers that are committed to continued vigilance in ad fraud protection and providing known, trusted inventory supply paths. This is the best safeguard to ensure transparent accountability for campaigns and to protect your brand and investment from ad fraud.

KEY ADVERTISER TAKEAWAYS

The pandemic has resulted in a three to five-year acceleration of where ad-supported CTV was already headed.

The rise in home-bound consumers seeking more entertainment options during the pandemic propelled both consumer adoption and industry investment in ad-supported CTV service offerings. New data and technology capabilities combined with increased advertiser demand for premium CTV inventory are improving the consumer ad experience significantly. Audience targeting, frequency capping, and other optimization and attribution methodologies add value for both marketers and audiences to the CTV experience. As advertisers continue to follow the rapid growth in streaming TV audiences, we can expect to see ad dollars start to catch up with CTV viewership.

Local relevance remains a top priority for advertisers.

Local relevance remains a top priority for businesses for the economic rebound. Advertisers shifted to a localized approach with local spot buys to tailor their messages on how they are adapting and serving their customers differently. Local targeting will be even more important as brands and marketers align ad spending with the dynamic market conditions and the accelerated economic recovery. To execute locally and be nimble, we can expect more advertisers to invest in localized CTV campaigns to deliver targeted and contextually relevant messaging to reach their intended customers.

¹⁸ Pivalate, 2020 Report: Over 20% of Programmatic OTT/CTV is Invalid Traffic (IVT), November 2020

CTV combines the best of digital media and traditional TV.

CTV advertising combines the best of digital — with its measurement, audience targeting, and attribution capabilities — and the best of the big screen TV experience in a long-form, lean-back premium, and brand-safe content. New attribution capabilities make streaming TV advertising even more compelling. Brands can now look beyond video completion rates as a key metric of success as they can now connect CTV viewership to direct business results.

This could be as granular as running an automotive ad on CTV and then determining how many people visited a dealership or a dealer website after viewing an ad — or even matching viewership to sales performance with verified car sales. Looking ahead, with the availability of better data for audience targeting by location, behaviors, and interests, as well as closed-loop attribution capabilities, CTV is proving to be the cost-effective way to extend reach and minimize waste in ad spending that will continue to drive greater advertiser demand.

CTV + Linear is a powerful combination for advertisers.

Advertisers are increasingly leveraging ad-supported CTV to complement linear as a “reach extension” strategy to engage with audiences that they would not reach with just linear TV buys. New data innovations are available to manage incremental reach and frequency across linear and CTV to bring more effective results for advertisers. Advertisers can now measure the cross-platform effectiveness of both linear and CTV ad campaigns to drive web and search traffic. This allows for better planning of media spend and can drive increased business outcomes for advertisers by extending both reach and engagement.

CTV is an affordable and effective channel for digital-first performance marketers.

CTV and OTT offer a highly affordable way to target high-value audiences with precision and drive measurable performance outcomes. As such, digital-first performance marketers that prioritize search, display, and social advertising are now turning their attention to and shifting media budgets into streaming TV advertising.

With increased fragmentation, advertisers need to understand what they are buying.

With the influx of new streaming TV options, advertisers have many options to buy inventory to reach audiences that are potentially watching the same shows in different ways. Today, media buyers can go direct, work with aggregators or buy programmatically. If an advertiser opts for a walled garden approach, they may cede control for achieving unique reach and frequency goals, and geographic impression distribution.

If advertisers opt for open exchanges, there is little control over where ads may run and remains fraught with persistent brand safety, transparency, and algorithmic control concerns. As such, it is important for advertisers to vet and understand the varying capabilities of providers to know what they are buying and where their ads are running — to ensure that campaigns run in a brand-safe and fraud-free environment. Furthermore, advertisers should demand transparent and detailed reporting to prove and validate campaign performance.

CONCLUSIONS

Ad dollars follow where the consumers are. As such, the stage is set for marketers to shift even bigger budgets to CTV as an integral media mix for driving brand awareness and performance marketing.

As local relevance continues to be a top priority for businesses, advertisers are embracing localized CTV and OTT campaigns to deliver targeted and contextually relevant messaging to reach their intended customers. Looking ahead, with the availability of advanced audience targeting by location, behaviors, and interests, as well as closed-loop attribution capabilities, CTV is proving to be a cost-effective way to extend reach and minimize waste in ad spending. This will continue to drive greater advertiser demand.

Above all with the continued proliferation of streaming TV services and platforms, working with trusted providers that deliver brand-safe premium content, local audience targeting at scale, and performance insights is the cornerstone for advertiser success for the post-pandemic era.

ABOUT BIA ADVISORY SERVICES



BIA Advisory Services is at the forefront of local media analysis, creating and delivering unique data to examine traditional and digital advertising, advertiser trends and activities, local market profiles, and station ownership/operational details. We offer comprehensive local and nationwide advertising research, competitive intelligence services, and strategic and valuation consulting. Our forecasts and projections are easily accessible from our advertising dashboard - BIA ADVantage - that provides direct access to our comprehensive industry intelligence and quarterly briefings. For clients, our promise is to combine quality data with high-powered analytics to help them capitalize on new sources of revenue and make smart, better decisions faster.

Additional information is available at: www.bia.com

ABOUT PREMION



Launched in 2016 by TEGNA Inc. (NYSE: TGNA), PREMION is an industry-leading premium CTV/OTT advertising platform for regional and local advertisers. Gray Television, Inc. (NYSE: GTN) acquired a minority stake in PREMION in 2020. With directly sourced inventory from 125+ premium publishers, PREMION delivers transparency and brand safety, making it easy for advertisers to target and reach engaged audiences at scale.

PREMION was recently awarded 2021 Tech Leadership Awards in the Best OTT and Streaming Technology product category was a recipient of the 2020 Cynopsis Adtech Award in the Outstanding Local Advertising Solution category, and achieved the TAG Certified Against Fraud Seal from the Trustworthy Accountability Group (TAG).

For more information, visit www.PREMION.com