COVID-19 TV and OTT/CTV POV

Highlighting expected challenges, opportunities and impacts

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Overview:

The TV ecosystem, already undergoing accelerating change, will be acutely impacted by the COVID-19 outbreak. A confluence of factors, including changing consumption trends and the ongoing streaming wars, will amplify COVID-19's short and mid-term effects. Content owners, distributors, agencies and marketers will all face challenges. The coming weeks will also offer opportunity. Social distancing is likely to boost overall U.S. video consumption. Over-the-top (OTT) and connected TV (CTV) platforms stand to benefit from this expected trend, and are best positioned to weather the unfolding events.

Insights sourced from:

Industry trades & press:

AdAge ADWEEK DIGIDAY COMCAST ESPN iSpot.tv eMarketer nielsen

Partner observations:

hulu Roku VIZIO Ads Adobe YouTube SPOTX G

Consumption & supply: historical comparisons offer clues

- Americans already spend almost 12 hours a day with media, much of it consuming video.[1] Thankfully there are few comparative examples, but natural disasters indicate consumption will spike during the COVID-19 crisis.
- Nielsen notes widespread work from home and coronavirus-related isolation policies could boost overall U.S. TV viewership by as much as 60%[1]
- The viewership boon will boost impression supply, but will be at largely offset by the lack of high-profile live sports and events across linear TV
- iSpot.TV analysis illustrates this dynamic. Total 3/2-3/15 TV ad impressions, fueled by news and kids programming, jumped 10% vs. YAG numbers.[2] However, sports-oriented networks like ESPN are struggling given the NBA suspension. ESPN's primetime ratings dropped 65% vs. a YAG window. [2]
- Industry fragmentation and the increasing share of delayed and streamed viewing will also obscure rating gains measured by Nielsen[3]
- Subscription Video on Demand (SVOD) and Ad Supported Video on Demand (AVOD) services will capitalize as consumers seek out feature films, general format programming and co-viewing environments[4]

+56%
TV usage time in Texas following Hurricane Harvey[1]

+45%
TV usage time in New York following the 2016 blizzard[1]

South Korean
TV viewership spiked after COVID-19 cases appeared[1]

1. Nielsen – "Staying Put: Consumer Forced Indoors During Crisis Spend More Time on Media"
2. iSpot.tv – COVID-19 Impact on TV Advertising
3. ADWEEK – "Self-Isolating Because of Coronavirus? You're Probably Watching TV"
4. Roku sales team

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Demand: OTT/CTV will benefit as linear TV adapts to a sports hiatus

- Marketer response will vary by vertical, business objective and available messaging
- Brands with general awareness objectives and creative, or COVID-19 specific assets, will remain more active than those driving specific user action
- Many TV advertisers will look to delay campaigns as sports-centric TV networks struggle to meet impression guarantees despite overall TV viewership gains[1]
- Networks are expressing willingness to work with marketer and agency requests in the hope of preserving long-term relationships[2]
- Agencies will recommend a range of options, including re-expressing sports inventory to other programming, postponing deals until live sports and events return, or asking to be released from commitments[2]
- Agencies will also be forced to confront challenges already presented by an increasingly fragmented marketplace, and will look to AVOD and online video platforms as a result
- Linear TV CPMs will decrease in the short term, but are poised to move upwards as brands jockey to re-express inventory and delay buys to broadcast Q2
- OTT/CTV CPMs are flat or moderately down to date, but may fluctuate as supply and demand both increase. SpotX has already noted a 16% increase in video ad inventory.[4]

"An ever-changing situation" as TV ad buyers adapt[2]

eMarketer reports advertisers **remained reluctant** to spend what could be lost dollars despite increased digital consumption during China's COVID-19 outbreak[3]

Upfront and NewFront impacts: preparing for a virtual year

- Coronavirus concerns forced the cancellation of all live NewFront and Upfront events through the traditional TV Upfront week in mid-May. The reliance on digital-only presentations is pushing the industry into uncharted territory.[5]
- NewFront and Upfront participants are now planning virtual presentations and "star-studded and innovative streaming events." They are also building "Upfront screening rooms" to showcase content and make their annual pitches to agencies and marketers.[6]
- Negotiations are expected to proceed at this time. However, extended advertiser uncertainty and delayed pilot production could foreshadow a Q4 2020 scatter approach, or an embrace of a calendar year Upfront.[7]

1. Digiday – "How coronavirus will shape the future of TV"
2. Digiday – "'An ever-changing situation': TV ad buyers adapt to live sports hiatus"
3. eMarketer – "How COVID-19 Has—And Has Not—Affected Global Ad Spending"
4. SpotX via Broadcasting & Cable – "OTT Ad Inventory Rises as Virus Boosts Viewing"
5. AdAge – "TV Upfront and Newfront 2020 Calendar"
6. ADWEEK – "AMC Networks Touts 'Viewer First' Remote Strategy After Upfront Cancellation"
7. AdAge – "TV Advertising Deal Making Could be Pushed Back Amid Coronavirus Outbreak"

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Content strategies: platforms push for streaming war advantages

- Disney+ became the first streaming service to capitalize on increased co-viewing by releasing Frozen 2 three months early[1]
- Aggregators like Roku, which noted a 20% jump in Roku Channel movie viewership, are reacting by adding family friendly and wellness programming[2]
- Established TV networks are also adjusting strategies, with entertainment network AMC adopting a "viewer first" strategy across AVOD services and developing exclusive content for social platform Reddit[3]
- ESPN, among the hardest hit given their lucrative sports lineup, is leaning on NFL studio programming and exploring options to rebroadcast games[4]
- Comcast NBCUniversal is testing a strategy that may have lasting ramifications for movie theaters by making current releases available for rent in the home[5]

Hulu will benefit from its previously scheduled FX library release[6]

Performance & measurement impact: difficult to forecast

- Advertisers with appropriate awareness or COVID-19 messaging may benefit from exposure in contextually-aligned programming. Cadillac's "We Have Your Back"[7] creative and AB InBev's "One Team"[8] campaign demonstrate effective COVID-19 positioning.
- Marketers with optimal messaging may struggle to deliver intended gross rating point (GRP) levels given the lack of marquee sports and event programming. Consumption gains may not offset the sports hiatus, especially given the recent postponement of the 2020 Tokyo Olympic Games.[9]
- OTT/CTV buys, especially those transacted programmatically and optimized algorithmically, may benefit from larger audience pools to optimize against
- Alternatively, changing consumer search and purchase behavior may inhibit algorithmic learning. The utility of search lift and third party attribution studies will also be challenged as patterns shift. This will be especially apparent with foot traffic lift studies.
- The cost of TV and OTT/CTV media will also fluctuate. These trends could impact R/F and performance if CPMs move significantly in either direction.
- Early KG observations indicate month-over-month OTT/CTV CPMs are trending lower with CPMs down 12%. Note: CPM observations are based on limited data.

Avg. March vs. Feb. CTV CPMs:*

-10% vMVPD

-12% CTV apps

-13% live sports

*Avg. daily CTV data

1. ADWEEK – "Disney Drops Frozen 2 On Disney+ Three Months Early…"
2. Roku sales team
3. ADWEEK – "AMC Networks Touts 'Viewer First' Remote Strategy…"
4. ESPN – "The challenge is that now we need to replicate…"
5. Comcast – "Comcast NBCUniversal Moves To Make Current Movies Available …"
6. Hulu sales team
7. Cadillac
8. AdAge – "AB InBev Diverts Sports and Entertainment Spending to Coronavirus Ad…"
9. AdAge – "Tokyo Olympics Delayed One Year After Virus Wipes Out 2020 Games"

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Conclusions and takeaways:

- COVID-19 presents unique challenges to the U.S. TV ecosystem, which was approaching an inflection point before the pandemic burst onto the global scene in early 2020
- As March, 2020 YouTube data indicates, consumers are turning to news, aspirational lifestyle, personal fitness, cooking, and co-viewing content as they cope with the lack of live sports and entertainment options[1]
- OTT/CTV platforms are uniquely positioned to benefit from these viewing habits, the expected impression and supply glut, and the headwinds faced by traditional TV networks
- The International Olympic Committee's March 24th postponement of the 2020 Tokyo Games only adds to these headwinds. The IOC's announcement dealt the most significant blow yet to linear TV networks. NBC, which carries the Olympic Games, does have insurance protections in place. Regardless, NBC parent Comcast will be hard pressed to replace a third quarter ad sales haul of up to $1.25 billion.[2] NBC and its advertising partners must now reallocate a staggering amount of premium inventory intended as the centerpiece of numerous marketing plans.
- Additional factors, not limited to those listed below, could also alter the industry's mid-term trajectory.
  - The breadth and depth of the resulting U.S. and global economic slowdown
  - The length of other major sporting and event suspensions
  - Impacts to 2020 U.S. elections and political spending
  - The downstream impact of prolonged production delays on TV, SVOD and AVOD programming
- Rapid changes in media consumption and advertiser demand could also alter the relative efficiency and performance of TV and OTT/CTV campaigns
- Shifting consumer behavior also stands to impact common TV and OTT/CTV measurement approaches, especially search, conversion and foot traffic lift studies
- Marketers and agencies who align messaging with consumer sentiment and effectively deploy video budgets will capitalize on pent up demand once the crisis abates

1. Google – "YouTube & COVID-19," March, 2020
2. AdAge – "Tokyo Olympics Delayed One Year After Virus Wipes Out 2020 Games"