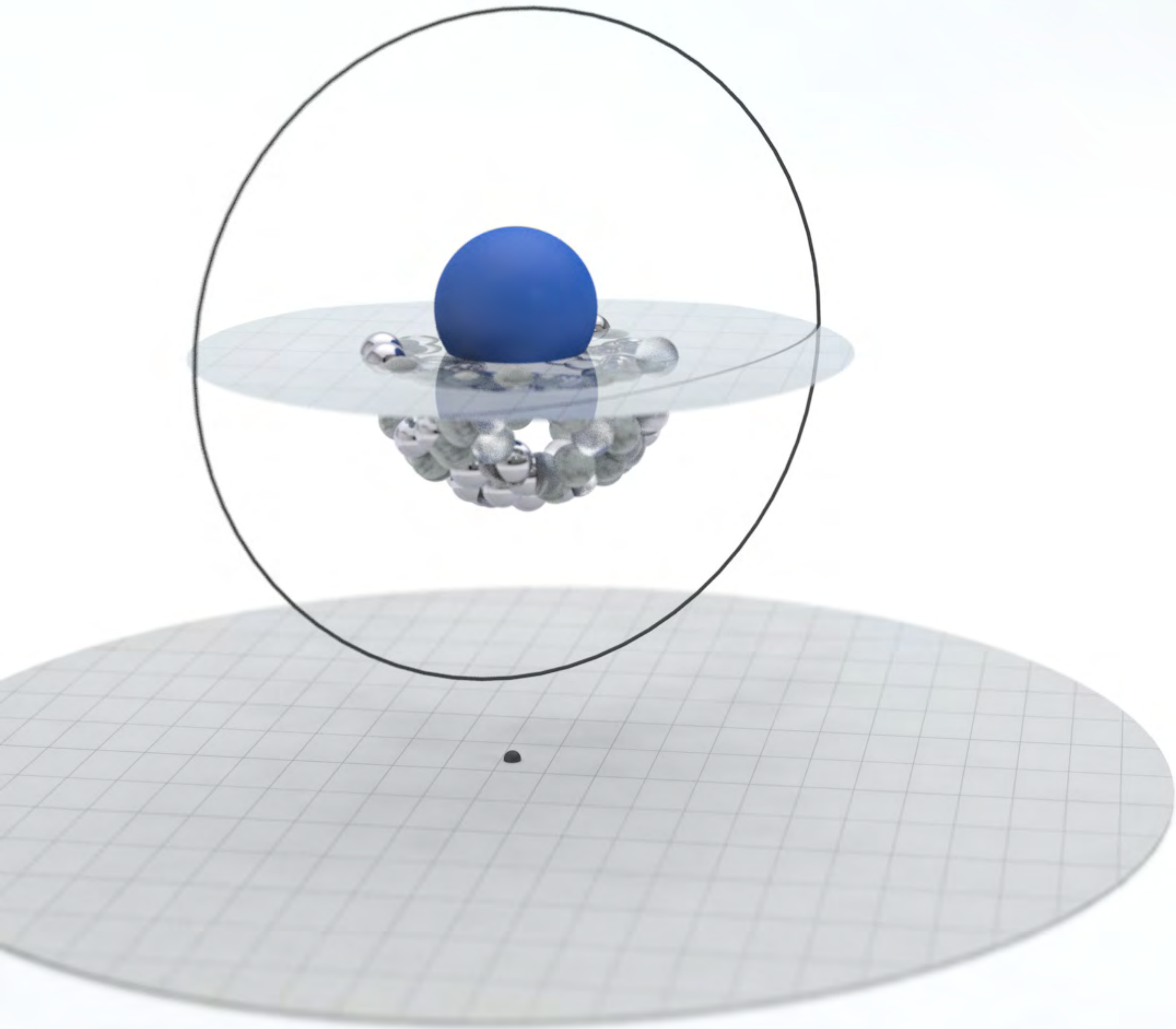
WHITE PAPER

A PERFORMANCE MARKETER'S GUIDE TO STREAMING TV

Looking beyond the hype



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marketing architects

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INTRODUCTION

Media headlines have closely followed the growing popularity of Streaming TV, and for good reason. It's exciting news. With the pandemic dramatically accelerating cord-cutting, 70% of adults ages 18-34 now subscribe to at least one streaming service. After all, there's plenty of options, with new players like Peacock, Discovery+, HBO Max and Paramount+ all launching in the last year. Additionally, new advances in technology claim to have pushed Streaming TV tracking, measuring and targeting closer to digital-like accountability than ever.

The trends are clear. Streaming is the future of television.

But for performance advertisers, Streaming TV may not yet be the present.

Despite significant and noteworthy growth, Streaming TV is still an emerging marketplace struggling with all the challenges typical to new technology and processes. The terminology alone can be overwhelming for anyone new to the space—which is just about everyone.

So, how can the modern marketer drive performance when dealing with all this complexity? This all-encompassing guide cuts through the press buzz and industry jargon to highlight both opportunities and challenges facing Streaming TV advertisers. Our hope is that you discover actionable insights for your brand within this guide, whether that means diving headfirst into Streaming TV or testing alternatives while the marketplace matures.

"Streaming TV is still an **emerging marketplace**."

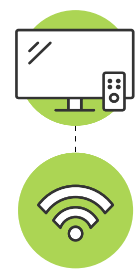
PLATFORMS

CTV. OTT. AVOD and SVOD. There are no shortage of acronyms or jargon when it comes to Streaming TV. That's why we thought we'd break down the most important terms we'll be using throughout the remainder of this guide—starting with Streaming TV.

For the sake of this guide, we consider "Streaming TV" to be any form of television beyond linear. Many types of Streaming TV discussed in this guide could also be included under the term "Advanced TV." However, Advanced TV also includes programmatic or addressable linear TV, which we are not covering in this guide. Our usage of "Streaming TV" includes the following platforms:

CTV

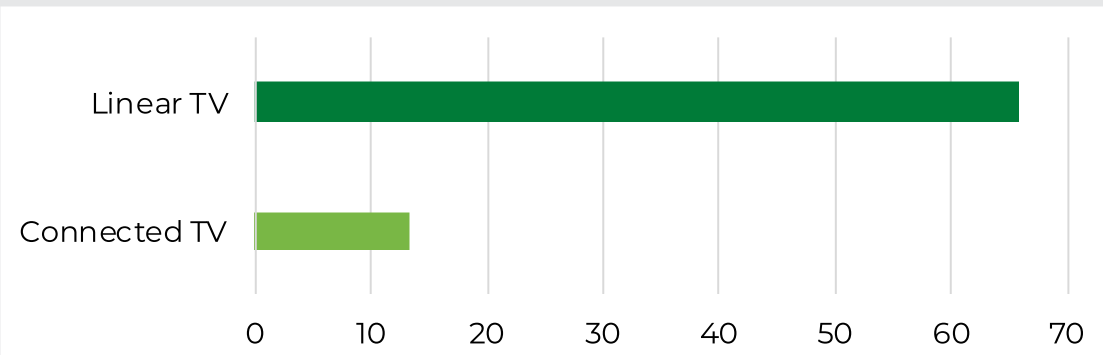
While commonly used as a catch-all for Streaming TV, a Connected TV (CTV) is a TV set with integrated internet capabilities, allowing it to access content from Hulu, YouTube, Roku, Netflix, and more. By 2024, 66% of the US population will use CTV, and CTV ad spend will represent 27% of TV ad spending.



STREAMING DEVICE

However, CTV remains small in comparison to linear. In 2021, linear TV ad spend is projected to be 5X greater than CTV ad spending. This disparity is especially striking when considering that CTV's CPMs are significantly more expensive than the direct response linear market. Advertisers have been slow to adopt CTV for many reasons, including lighter ad loads, premium pricing, measurement, fraud, and frequency capping issues. The most successful CTV advertisers for now are typically big brands who have exhausted linear TV or are targeting young, niche audiences.

Projected 2021 ad spend (billions)



CTV investments are growing as more advertisers test the channel. However, even with this growth, CTV ad spend will remain dwarfed by linear for the near future.

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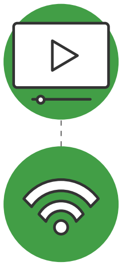
OTT

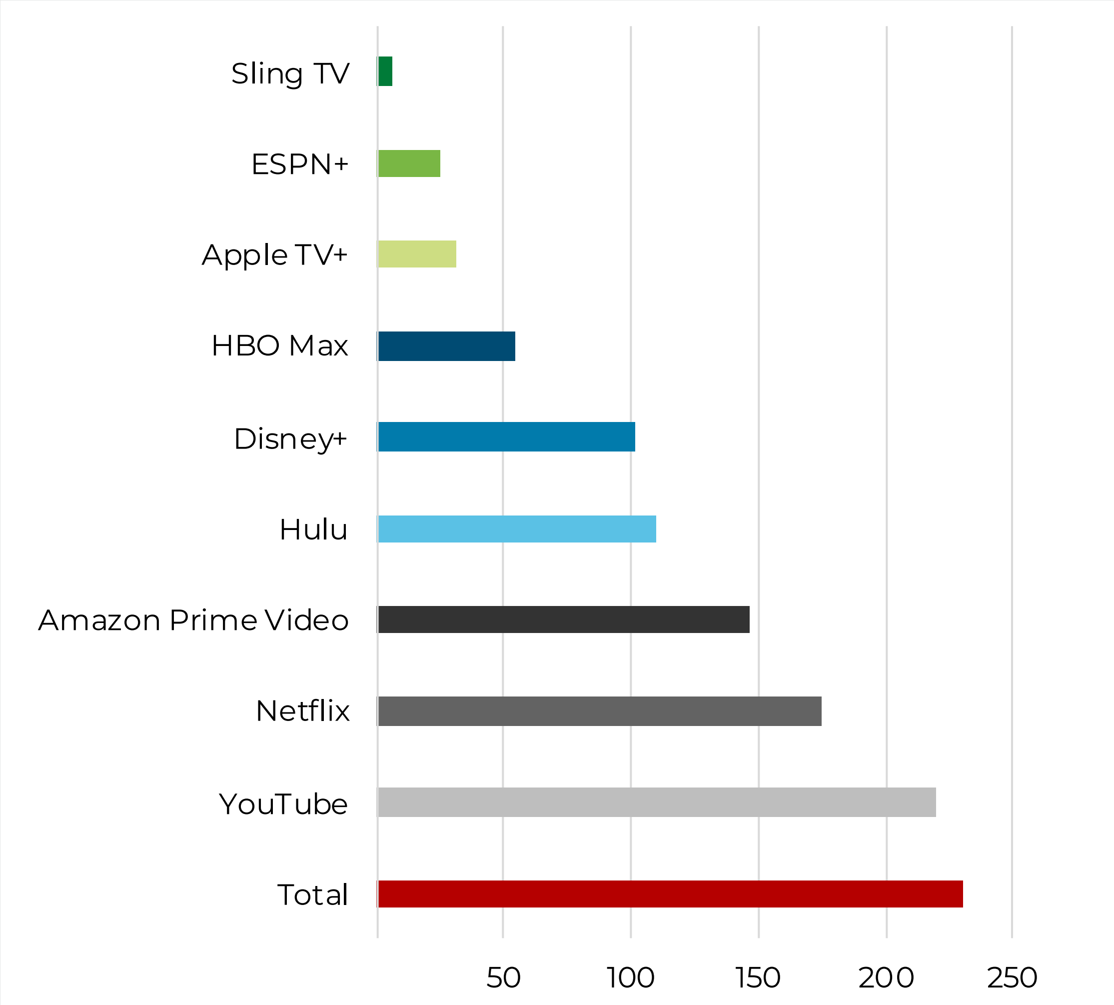
Over-the-top television (OTT) refers to video content delivered over an internet connection. OTT can be streamed across laptops, mobile phones, tablets, smart TVs, and other devices. While sometimes used synonymously, OTT differs from CTV in that it refers to the method of streaming while CTV is a device on which content is streamed.



STREAMING METHOD

In 2020, OTT digital video grew 93%, with more than 90% growth expected annually through 2023. Even so, these numbers can be deceiving for advertisers. OTT includes both subscription-only and ad-supported options, meaning many viewers cannot see any ads while watching Streaming TV. Additionally, barriers for marketers include high CPMs, measurement challenges, and poor ad frequency management. As platforms and technology improves, future opportunities are likely. For now, however, the best use of OTT for performance marketers is as a vehicle to access incremental audiences.

OTT viewers by provider (millions)



Viewership overlap between providers means that although each provider claims millions of viewers, the total number of OTT viewers is still only 230 million. Many of these viewers are watching primarily or only SVOD platforms, without any advertising.

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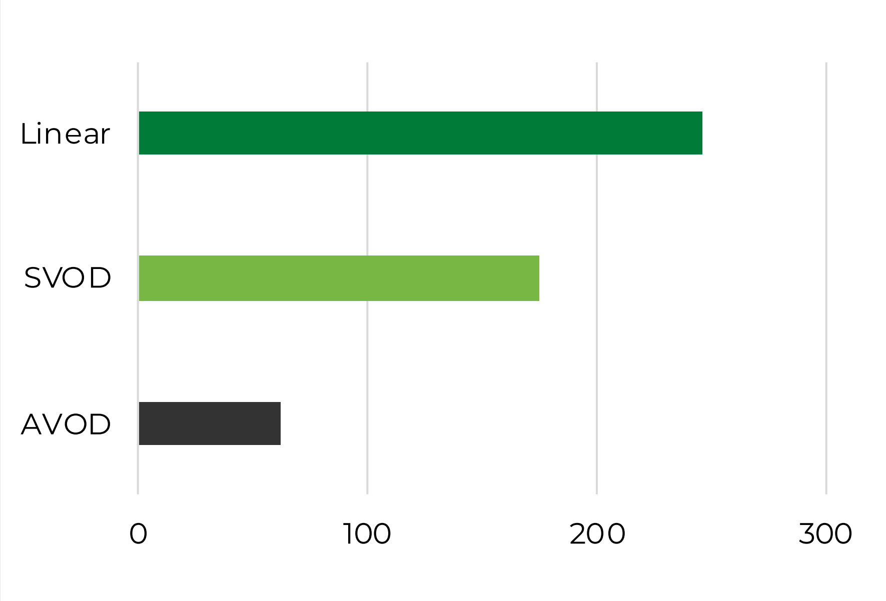
SVOD, AVOD and Hybrid

OTT streaming platforms can be divided into three categories:

- Subscription Video on Demand (SVOD) refers to platforms that generate revenue through subscription fees alone. Popular SVODs include Netflix, Disney+, and Amazon Prime. While these platforms are appealing to consumers, they don't offer advertising opportunities.
- Advertising-based Video on Demand (AVOD) refers to platforms that are free to subscribers and generate revenue through selling ads during their content. AVOD viewers tend to be older and from lower income households than SVOD viewers. Tubi, Pluto TV and Roku are all AVODs.
- Hybrid AVOD/SVOD platforms typically have multiple tiers including a less-expensive tier that's ad-supported and a more expensive tier that is ad-free. Hulu is a popular hybrid platform.

Because SVOD platforms boast high viewership, a common misconception is that streaming advertising opportunities are greater than they are. Although AVODs are gaining momentum, their total viewership numbers are still dwarfed by SVOD streaming. In fact, only 26% of streaming households view AVOD platforms. Plus, major AVODs have announced intentions to reduce ad loads significantly compared to linear TV, further limiting opportunities for advertisers and artificially increasing prices due to the imbalance between supply and demand. However, advertising opportunities are expected to grow as more viewers adopt AVOD platforms.

Viewership (millions)



Even though streaming viewers are growing, many viewers still watch SVOD platforms, limiting advertiser opportunities.

"**Only 26%** of streaming households view AVOD platforms."

*Estimated using data from Nielsen and eMarketer

FAST

Free Ad-Supported Streaming TV (FAST) refers to a streaming service that preprograms content into linear channels. These channels have ad breaks, allowing the viewer to watch for free. However, the viewer does not control the show or movie playing on the FAST any more than they would control it when watching traditional television. Well-known FASTs like Xumo, Pluto TV and Amazon's IMDb TV have gained popularity recently, especially in the last year.

vMVPD

A Multichannel Video Programming Distributor (MVPD) provides pay TV services through cable, satellite or telco. The digital-only version is the Virtual Multichannel Video Programming Distributor (vMVPD). vMVPDs deliver live, linear TV over the internet for a subscription fee. Well-known vMVPDs include Sling TV and Hulu Live.

KEY TAKEAWAYS: THE PLATFORMS

CTV
A TV set with integrated internet capabilities. CTV advertising is most effective for large brands.

OTT
Video content delivered over an internet connection. OTT advertising is best used to access incremental audiences.

SVOD
Platforms that generate revenue through subscription fees and lack advertiser opportunities.

AVOD
Platforms that generate revenue by selling ads to show during their content.

Hybrid
Platforms with both ad-supported and fee-based subscription tiers.

FAST
A free, ad-supported streaming service where the viewer has limited control.

vMVPD
Platforms delivering live, linear TV over the internet for a subscription fee.

PLAYERS

There are dozens of players in this space, some of whom have already been mentioned in this guide. Because of the sheer numbers, it's simply impractical to dive into all of them. So, to save you time, we're focusing on the top players in relation to advertiser opportunities. For example, Netflix doesn't warrant its own section (despite being one of the largest streaming services) because it doesn't offer ad-supported options.

YouTube

Platform Type AVOD

Viewers 219 million

Ad Revenue $6.29 billion

Ad formats :6s, :15s, :20s

These spots are most popular, but ads can last up to 6 minutes

YouTube is the biggest ad-supported streaming player. 40% of all ad-supported streaming watch time takes place on YouTube. Every minute, 500 hours of video are uploaded to YouTube's library of user-generated content. And more 18–49-year olds watch YouTube than all cable networks combined. YouTube also owns a vMVPD, YouTube TV, but sells little of this inventory directly.

Hulu

Platform Type Hybrid

Viewers 110 million

Ad Revenue $3.39 billion

Ad formats :15s, :30s, :60s, :90s

Owned by Disney, Hulu is one of the largest and most established hybrid streaming TV services. Hulu offers on-demand content with SVOD and AVOD subscription tiers. And while Hulu's growth has slowed in comparison to other streaming platforms, it continues to steadily add subscribers and new content through purchases and partnerships. Hulu also owns a vMVPD, Hulu + Live TV, that offers both live local networks and cable TV channels.

Roku

Platform Type	**AVOD**
Viewers	**110 million**
Ad Revenue	**$1.46 billion**
Ad formats	**:15s, :30s, :60s**

Traditionally known for their Roku Smart TV, Roku has risen to prominence in the streaming space. Roku's content includes Netflix, HBO, Hulu, and The Roku Channel (which claims 57 million viewers), in addition to thousands of sports, news, international, kids programming, and broadcast channels.

IMDb TV

Platform Type	**AVOD**
Viewers	**55 million**
Ad formats	**:6s to 3 minutes**

Owned by Amazon, IMDb TV is a channel offered within Amazon Prime Video. Because of its strong ties to Amazon Studios, the platform's content library is extensive. IMDb TV has grown dramatically over the last year, gaining a 138% increase in viewership year-over-year in 2021.

Pluto TV

Platform Type	**AVOD**
Viewers	**47 million**
Ad Revenue	**$0.79 billion**
Ad formats	**:15s, :30s, :60s**

Owned by ViacomCBS and launched in 2013, Pluto TV is a small, free ad-supported streaming service. Pluto has more than 250 unique live channels that stream content with commercial breaks, including some local news channels, but no live sports. Having successfully increased ad revenue and viewers in 2020, Pluto expects to add more channels this year and surpass $1 billion in ad revenue by 2022. Advertisers should be aware that audiences tend to be lower-income and older than the average cord-cutter.

Tubi

Platform Type	**AVOD**
Viewers	**[44 million]**
Ad Revenue	**[$0.42 billion]**
Ad formats	**:15s, :30s**

Owned by Fox, Tubi is a small ad-supported streaming platform offering over 20,000 TV shows and movies for free, focusing on programming for busy families and Spanish-language content. Tubi is growing ad revenue and viewers but remains small compared to linear. Its audience tends to be lower-income than the average cord-cutter, and half its viewers are younger than 37.

Peacock

Platform Type	**Hybrid**
Viewers	**35 million**
Ad Revenue	**$196 million**
Ad formats	**:15s, :30s, :45s, :60s**

NBCUniversal's Peacock has garnered a fair amount of attention since its launch in 2020. The hybrid platform has three payment tiers including both SVOD and AVOD options. While currently smaller than other major players, Peacock is growing quickly and anticipates a 104% increase in ad revenue from 2020 to 2021.

Crackle Plus

Platform Type	**AVOD**
Viewers	**30 million**
Ad formats	**:15s, :30s**

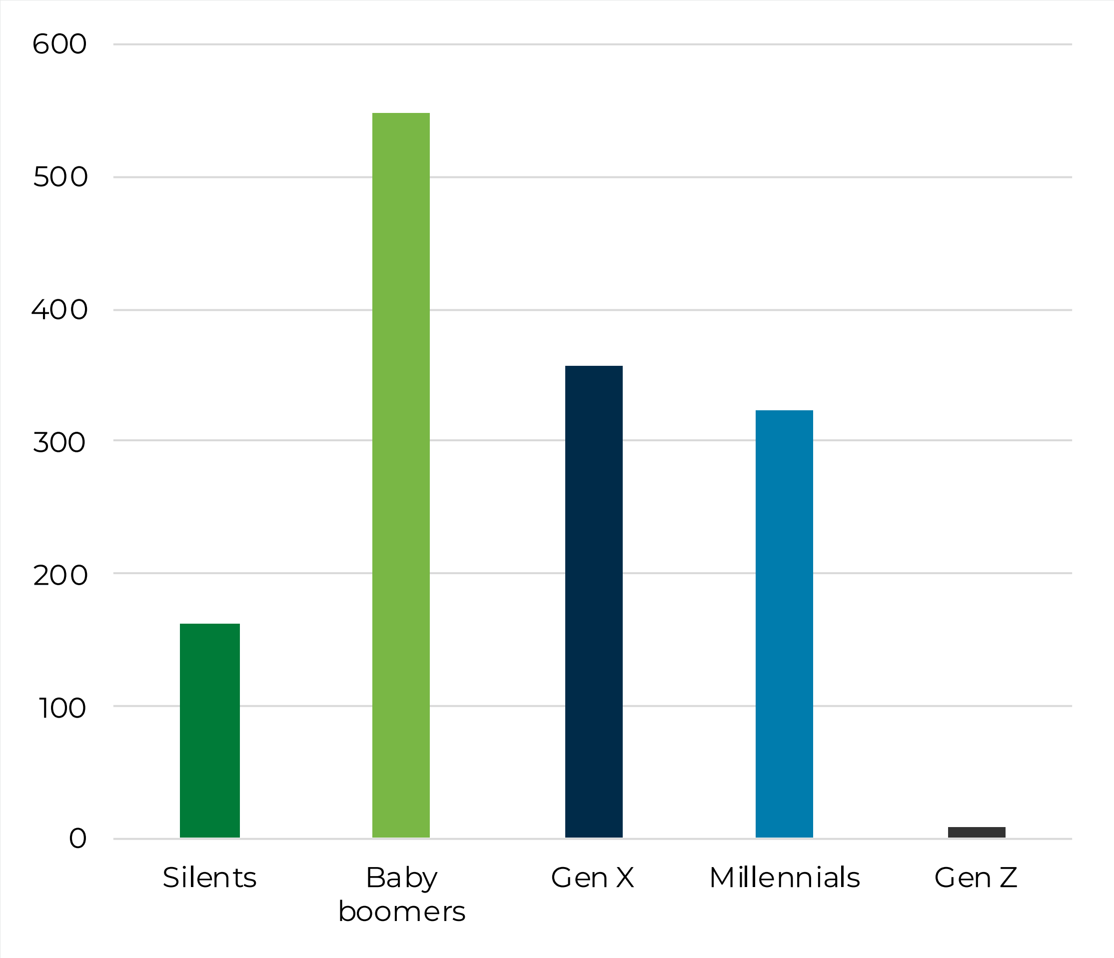
Crackle Plus, owned by Chicken Soup for the Soul Entertainment, includes both Crackle and Popcornflix. Both are AVOD and offer large selections of scripted content for free, boasting nearly 200 hours of original or exclusive programming in 2020. While Crackle's growth is less dramatic than several other platforms, their audience base has continued to expand, thanks to ongoing partnerships.

PEOPLE

It doesn't matter how high the viewership numbers on a particular streaming service are if none of those viewers match your target audience. So, who is watching Streaming TV?

Streaming viewers skew younger than linear. While 70% of adults ages 18-34 subscribe to a streaming service, only 49% of adults 65+ do the same. For brands with younger audiences, that may mean streaming options could be a fit. For those targeting older demographics, linear may be the better option. Brands targeting a general audience should consider the purchasing power on each channel. Older viewers found on linear tend to hold greater purchasing power than the younger viewers watching Streaming TV. Additionally, the demographics of each streaming service also vary slightly. For example, Sling TV skews toward male audiences while news AVOD Locast appeals to lower-income viewers.

Purchasing power by age group



Baby Boomers claim the greatest portion of purchasing power in the U.S. This group watches more than five hours of traditional TV a day on average.

Epsilon

The growth of Streaming TV options has also promoted new ways of watching TV. A few key viewing behaviors are especially noteworthy.

Binge-watching

Binge-watching, or watching video content for a prolonged period of time, has grown significantly more popular over the last several years. Since streaming services often house entire seasons of a show, viewers don't have to wait to watch the next episode. A survey conducted by Netflix in 2014 found that 73% of people defined binge-watching as watching at least three episodes of the same TV show in one sitting. Others define binge-watching as consuming entire seasons of a show over several days.

From an advertiser perspective, this means that a viewer who is binge-watching any sort of ad-supported content sees more ads in a shorter period of time and is more prone to ad fatigue.

Co-viewing

Co-viewing takes place when a group of people consume video content together. As TV becomes an increasingly important form of entertainment, co-viewing has gained renewed popularity in recent years. Co-viewing on linear TV is shown to increase engagement with advertisements when compared to watching content alone. And while co-viewing takes place on both linear and Streaming TV options, most co-viewing occurs when watching an actual TV screen as opposed to a laptop, tablet or mobile device where streaming options are available.

Cord-cutting

A cord-cutter refers to someone who once had a pay TV service but has since canceled it. Many cord-cutters then turn to Streaming TV for entertainment and news. The lesser-known term cord-nevers refers to people who have never had a pay TV service. Both cord-cutters and cord-nevers are on the rise as more people rely on streaming for video content and entertainment.

"A binge-watcher is more prone to ad fatigue."

POTENTIAL

WHAT ARE THE ADVERTISER OPPORTUNITIES WITH STREAMING TV?

While some of the buzz around streaming is hype, there are valid reasons to investigate opportunities within Streaming TV. Evolving technologies and changing viewing behaviors mean advertisers can discover new and exciting ways to reach their audiences through streaming platforms. We'll cover Streaming TV's top benefits below.

Extensive Targeting Options

While linear TV is traditionally bought through panel buying where Nielsen estimates an audience and its composition, streaming platforms frequently compare their targeting to digital. This appeals to advertisers hoping to reach very specific or niche audiences. Streaming services offer the following targeting capabilities:

Audience-based buying uses behavioral, attitudinal and lifestyle-based data to select media most likely to reach a specific audience.

Behavioral targeting uses data from visitor browsing habits such as search terms, sites visited or purchases to display relevant ads and offers.

List targeting shows ads to a list of anonymized users that share a common characteristic.

Contextual targeting places ads based on content type. All of these are possible through various streaming platforms.

And while challenges do exist, we expect targeting to continue improving. For brands with a very specific target audience, being able to narrow their focus may outweigh any additional costs. For performance advertisers looking to reach a broad audience and drive immediate revenue, however, the price may not be worthwhile, especially since tight targeting is shown to reduce the likelihood of achieving brand fame.

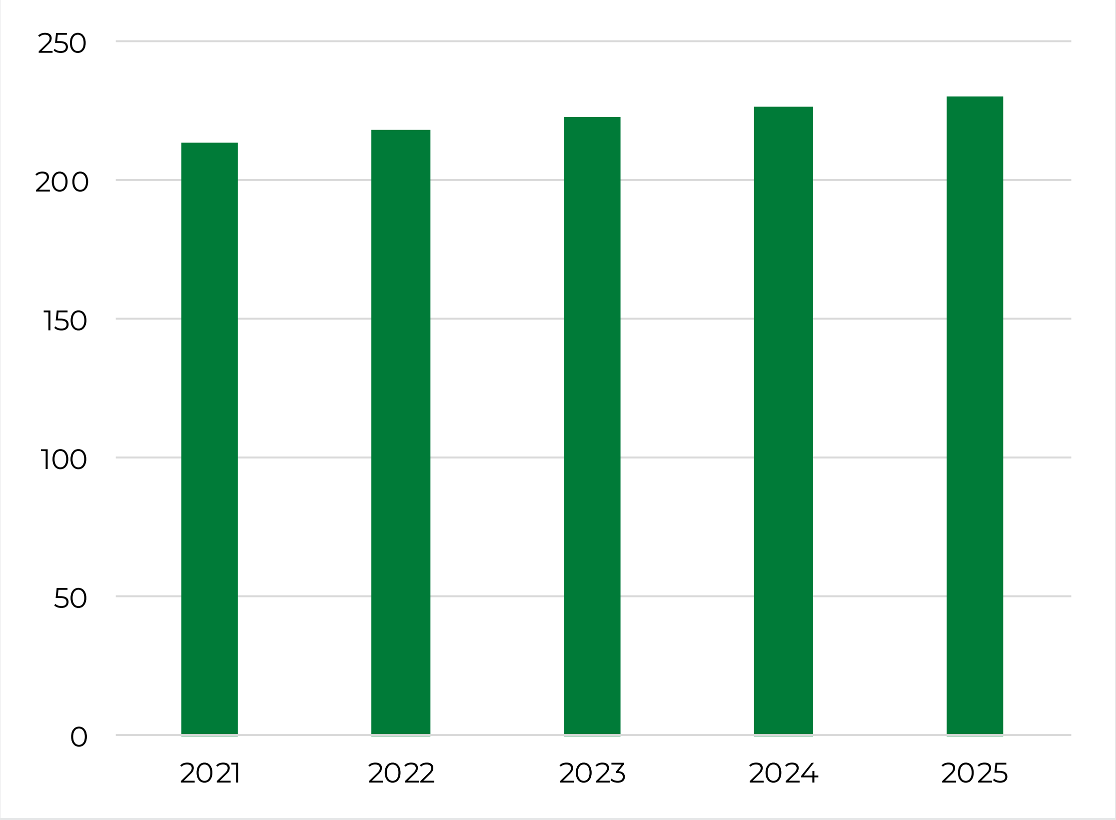
Changing Viewing Experience

Streaming services have made it very simple to view the same content across multiple screens, including televisions, laptops, tablets, and mobile devices. This makes it easier for viewers to watch their content wherever they are. Plus, because the user has more control over their viewing experience and ads are more targeted (and therefore relevant), streaming proponents argue consumers will be more engaged. Lighter ad loads also mean the ads a viewer does see should be more memorable. However, as we'll see in the next section of this guide, there are challenges within Streaming TV that can damage the consumer's viewing experience and affect engagement.

Changing Viewership Trends

Perhaps the most compelling reason to investigate streaming's opportunities for your brand is simply that more people are watching! The media headlines are so dramatic because that's exactly how streaming's growth has been. Consumer behavior should impact any good marketer's ad spend, and as more people turn to streaming options over linear, there are definitely exciting new ways to connect with audiences. Like we said at the beginning of this guide, streaming clearly looks to be where television is headed next. Marketers that want to stay ahead of the curve should absolutely take the time to evaluate the channel's potential for their brand specifically.

Connected TV users (millions)



The number of Connected TV users is expected to continue growing to reach 230 million by 2025.

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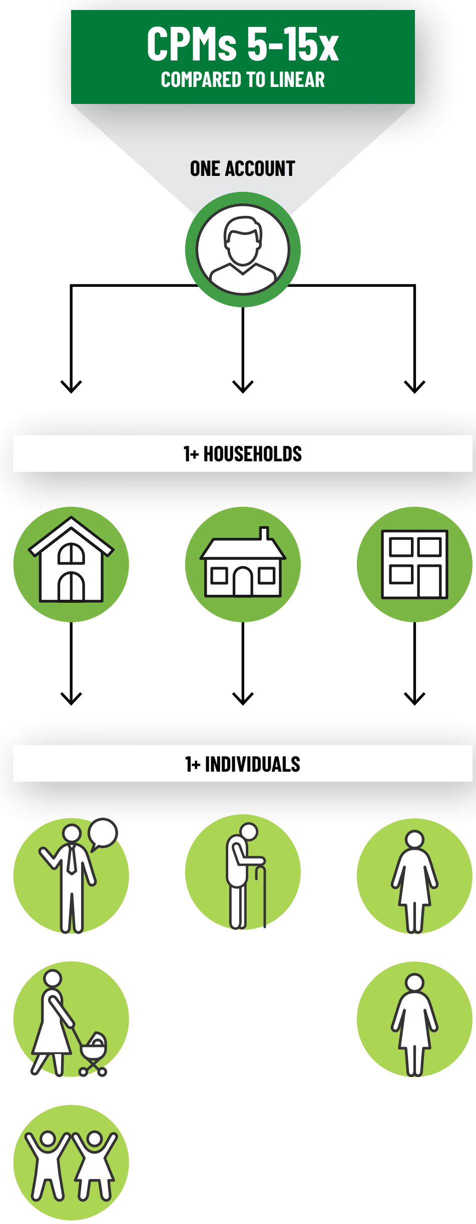
PROBLEMS

Despite all its potential, Streaming TV isn't perfect. If that were the case, we probably wouldn't need this guide! Some challenges associated with this space stem from trying to pair the benefits of both digital and TV into one medium. Others are typical of those in any emerging marketplace and should be resolved over time. Regardless, for now streaming holds problems that should be carefully reviewed before launching a campaign—especially a performance-focused campaign.

Premium pricing and the high cost of targeting

Streaming TV is not cheap. CPMs can range from 5-15X what could be purchased on linear, depending on the platform. This makes it challenging for performance advertisers to justify and achieve results through small, accountable tests. One argument is that the cost of these high CPMs is offset by the improved targeting streaming provides. However, challenges exist even within those targeting capabilities, including difficulty targeting at an individual level due to account sharing and inaccurate data, making streaming's audience-based buying significantly less effective.



> "Challenges exist, including difficulty targeting at an individual level due to **account sharing** and inaccurate data."

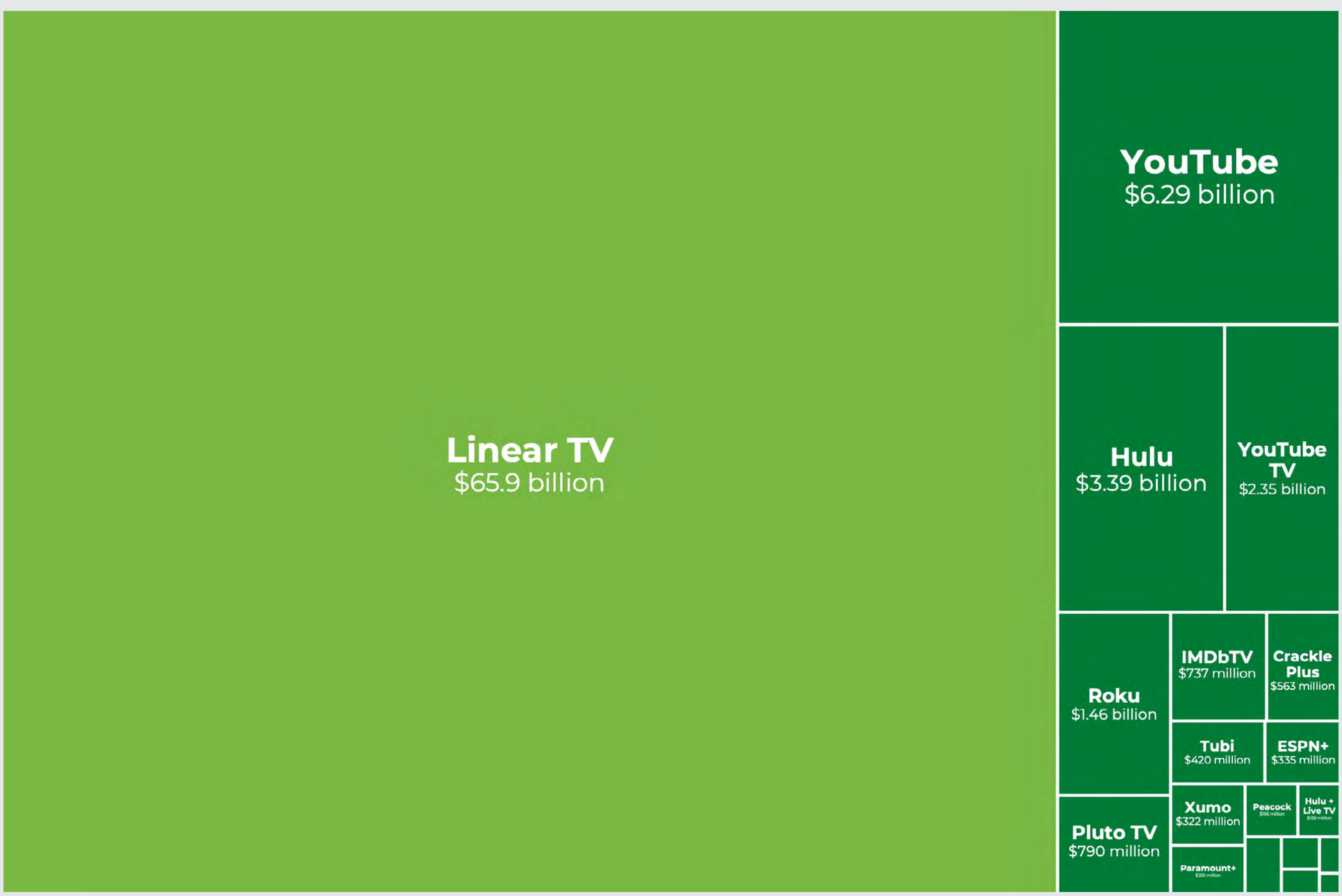
Audience Fragmentation and Marketplace Complexity

Even before the onslaught of new streaming services, the media marketplace was far from simple. But the dozens of new streaming platforms and devices have only exacerbated the complexity. These unstandardized options make navigating media buying an even greater challenge, and viewership overlap across platforms mean accurate reach and frequency management is exceptionally difficult.

Plus, having so many streaming options results in extremely fragmented audiences. In many cases, this means paying more to reach fewer people. In these instances, the benefits of improved targeting must be exceptionally dramatic to outweigh the lost reach. Too often, however, marketers find this is not the case. For reference, linear TV still claims 246 million viewers in the US. Peacock, a mid-sized streaming service that drew considerable attention in the last year, only reaches 35 million viewers. Even Hulu, one of the largest streaming services, reaches only 110 million viewers—still less than half linear's reach. By choosing to advertise only on streaming, marketers automatically limit their potential customers to that of the platform. For now, linear remains unchallenged when it comes to pure reach.

Ad revenue opportunities in Linear vs. Streaming TV

Streaming TV remains an emerging marketplace, and the advertiser opportunities may be less exciting than they appear.

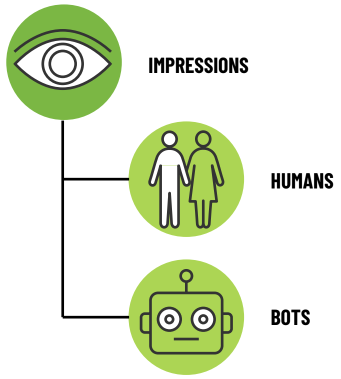


Ad Fraud

Ad fraud takes place when impressions, clicks or other conversion or data events are faked in order to generate ad revenue. Ad fraud is estimated to cost US marketers more than $15 billion in 2021. Adobe reported a study where they found 28% of web traffic came from non-human sources. While plenty of ad fraud is digital, CTV advertising is a particularly risky channel for fraud. In fact, up to 24% of programmatic CTV buys involve fraud.

“Up to 24% of programmatic CTV buys **involve fraud.**”

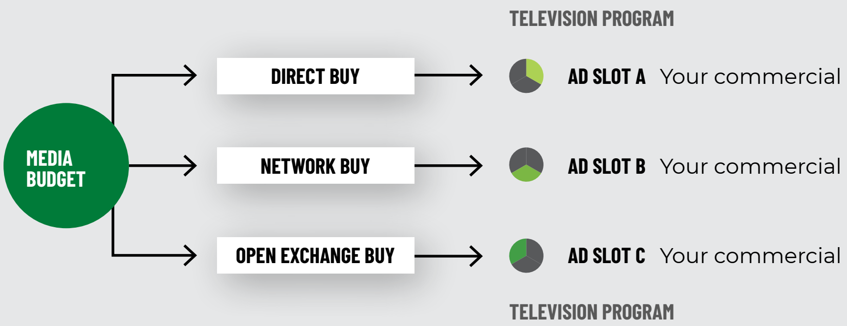
Because of the prevalence of fraud on many streaming services, linear shines in this aspect. On linear, you don’t have to worry that the “impressions” you’re paying for could be bots rather than potential customers. Unfortunately, ad fraud is growing worse as time goes on, and we don’t expect this trend to reverse in the next few years. Advertisers should consider purchasing fraud prevention technology, be vigilant in monitoring for signs of fraud, and recognize the possibility of ad spend waste in their campaigns.



Frequency Capping

Solutions for frequency capping are still evolving in order to ensure viewers are shown any given ad no more than worthwhile. One challenge is that many platforms fail to regulate frequency across all ad buys, instead monitoring frequency only within their own percentage of ownership. As of now, this issue causes frustration for both viewers tired of seeing the same ad and advertisers who waste money by hitting the same consumers too many times. This is an especially concerning issue considering the high cost of streaming media. Any sort of waste is painful for a performance-based campaign. Plus, since one of the key advantages of streaming is the improved viewing experience, improper frequency capping can completely negate that benefit, meaning the advertiser pays more for no benefit beyond what they could achieve on linear (and actually less opportunity considering streaming’s limited reach).

Failure to regulate frequency



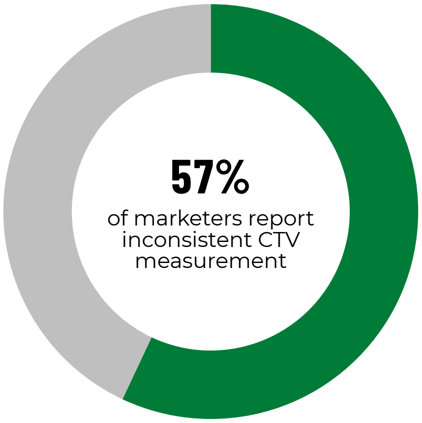
Advertisers already face unfavorable advertising caps at a direct buy level. But when ads are also bought at the network and open exchange levels, frequency capping becomes an even larger issue. Because of the lack of communication between buying methods, the same ad can appear repeatedly in a short timespan.

Measurement

In some ways, measurement on streaming platforms could be considered a benefit. Plenty of advertisers have been drawn to streaming's improved deterministic campaign measurement. Platforms use digital tools like Smart TV ACR technology or 1-to-1 matching to identify consumers who responded to a TV ad. In this way, Streaming TV is easier to measure than linear because of its digital nature.

However, brands should be wary of streaming's high error rate. Reporting from multiple platforms over-attribute results, making it dangerous to rely solely on a platform's data and reporting. We recommend using third-party measurement platforms and holdout samples to determine success.

Marketers report measurement issues



Digiday

KEY TAKEAWAYS: THE PROBLEMS

1

Pricing
Streaming TV CPMs can range from 5-15X what could be purchased on linear, depending on the platform.

2

Fragmentation
The sheer number of streaming options results in highly fragmented audiences, meaning advertisers pay more to reach fewer people.

3

Ad fraud
Streaming faces many of the same ad fraud dangers as digital, including fake impressions.

4

Frequency
Poor frequency capping frustrates viewers who see the same ad repeatedly and wastes advertiser dollars.

5

Measurement
Streaming measurement's high error rate makes it dangerous to rely on one platform's data and reporting alone.

CONCLUSION

While Streaming TV is certainly exciting for consumers and boasts major opportunities for big brands, the outlook is less exciting for performance marketers. You don't have to take our word for that, either. In 2021, linear TV ad revenue is more than $65 billion. Streaming TV ad revenue is a mere $17 billion. And 96% of total TV advertising remains on linear TV. While Streaming TV is absolutely growing quickly and the press continues to jump on the many exciting new developments, the entire channel is still dwarfed by linear TV—and will remain so for the foreseeable future.

That's not to say that the right approach to streaming wouldn't offer value. We suggest looking for ways to take advantage of creative testing, retargeting, and reaching niche audiences through the channel. If, as a performance marketer, you are set on launching a streaming campaign now, we suggest approaching the medium with the mindset focused on testing various options to see what works best for you. That way, once streaming's current challenges have improved, you will be fully prepared to jump right into the channel. If you are interested in testing, we recommended taking a platform-by-platform approach. The lack of standardization in the marketplace means that each platform's measurement and targeting capabilities vary, as do their specific audience demographics. Develop strategies tailored to each specific platform you test on as opposed to creating a single strategy for all Streaming TV.

On the other hand, if you are completely focused on immediate and attributable results, linear TV may remain the more attractive option.

"If you are completely focused on immediate and attributable results, **linear TV may remain the more attractive option.**"

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