

THE CHANGING FACE OF TV ADVERTISING

2019, 2020 AND BEYOND

FREEWHEEL
A COMCAST COMPANY

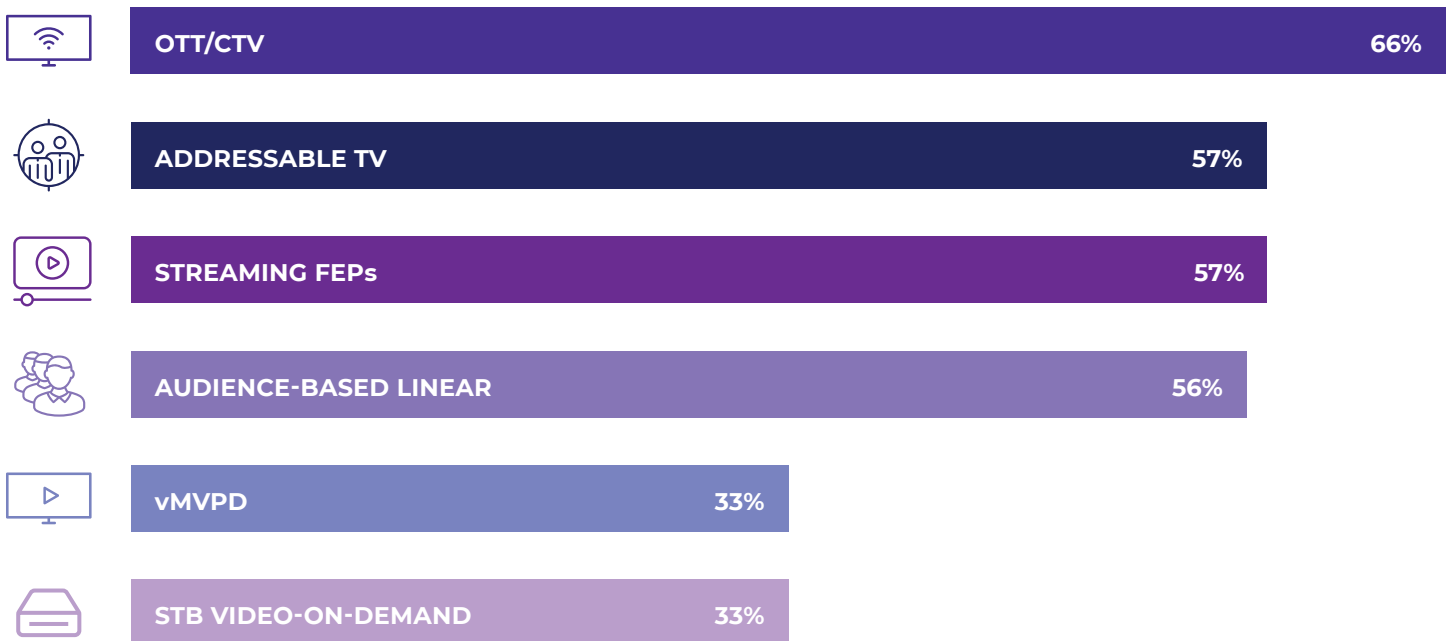
2019 was a monumental year for TV advertising in the U.S. As viewing habits continued to shift and technologies continued to improve, marketers had an unprecedented ability to reach specific audiences, at scale, wherever they were watching. Now, advertisers are buckling their seatbelts as we kick off 2020.

In anticipation of this game-changing year, FreeWheel recently conducted a survey, commissioned by Advertiser Perceptions, of over 300 marketer and agency leaders to determine how they are approaching TV buying and how they see advanced TV options fitting into these plans. These findings were compared to a previous study, fielded nearly a year prior, to determine how perceptions have changed and what we might expect as we embark on another historic year of change. (Source: Advertiser Perceptions, October 2019)

1. ADVANCED TV ADVERTISING IS BEING USED BY A MAJORITY OF ADVERTISERS

OTT/CTV was the type of advanced TV advertising purchased by the highest percentage of national advertisers over the past 12 months. However, addressable TV (household-level targeting), streaming full-episode players (FEPs) and audience-based linear TV were all used by over half of all advertisers and agencies surveyed.

TYPES OF ADVANCED TV PURCHASED IN PAST 12 MONTHS










2. SPENDING OPTIMISM SURROUNDING OTT/CTV AND ADDRESSABLE TV HAS JUMPED OVER THE PAST YEAR

Not only did a higher percentage of respondents spend on OTT/CTV than any other advanced TV type, but they also showed the highest spending optimism for OTT/CTV. Optimism for addressable TV followed close behind in second place. (Note: “Optimism” equals percentage increase in spending minus percentage decrease.)

Spending optimism for FEPs, audience-based linear TV and vMVPDs all showed slight declines.

EXPECTED AD SPEND OVER NEXT 12 MONTHS
Optimism Scores

	2018	2019
 OTT/CTV	37	59
 ADDRESSABLE TV	38	54
 STREAMING FEPs	40	45
 AUDIENCE-BASED LINEAR	37	28
 VMVPD	33	27
 STB VIDEO-ON-DEMAND	27	17
 LINEAR TV	5	-8

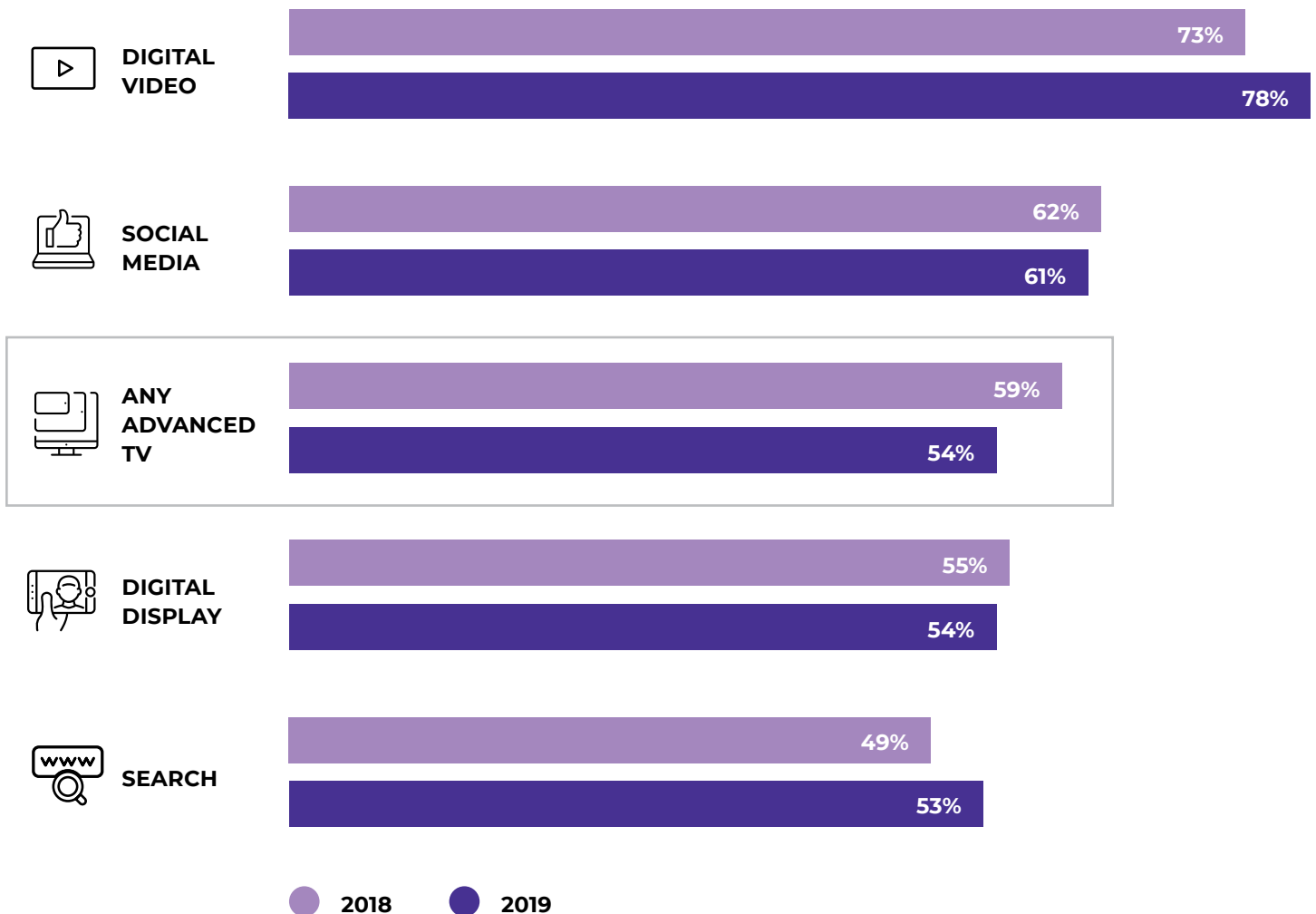


When breaking out survey respondents between marketers and agencies, the study found that agencies were more bullish than marketers on their expected spend for OTT/CTV and addressable TV.

3. ADVERTISERS STILL TURN TO DIGITAL VIDEO TO EXTEND THE REACH OF THEIR TV CAMPAIGNS MORE THAN ANY OTHER DIGITAL MEDIUM.

Almost 8 out of 10 respondents cited digital video as a medium that they are most likely to use to add reach to their TV campaigns, followed by social media. While “advanced TV” collectively was cited by over half of the respondents, this percentage is down slightly from 2018, which indicates there may be an opportunity for more education on how advanced TV can serve as a reach extending complement to linear TV buys.

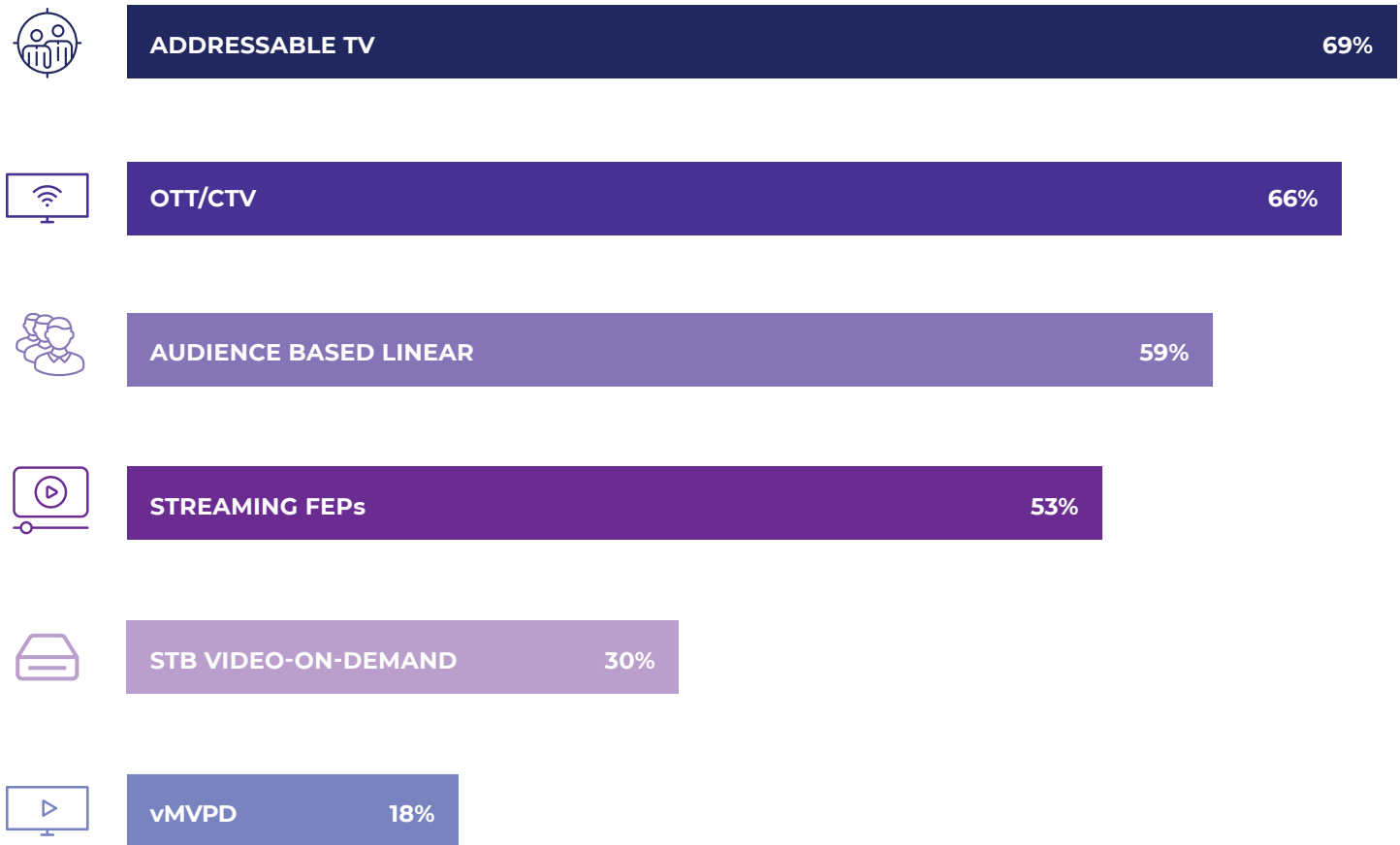
MEDIA TYPES MOST LIKELY USED TO DRIVE INCREMENTAL REACH ON TOP OF LINEAR TV CAMPAIGNS



4. AMONG THOSE ADVERTISERS USING ADVANCED TV TO EXTEND REACH, ADDRESSABLE TV AND OTT/CTV ARE USED MOST FREQUENTLY.

Advertisers who used advanced TV to extend reach turned most often to addressable TV and OTT/CTV to do so – indicating a desire for precise targeting in a TV environment. Audience-based linear and streaming FEPs were also used, but slightly less frequently.

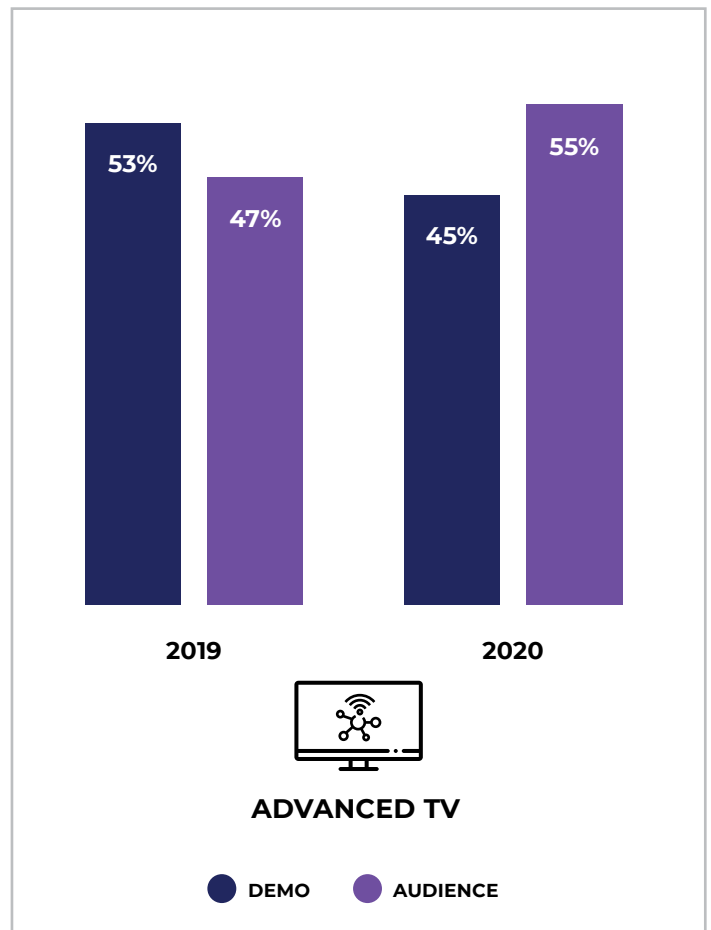
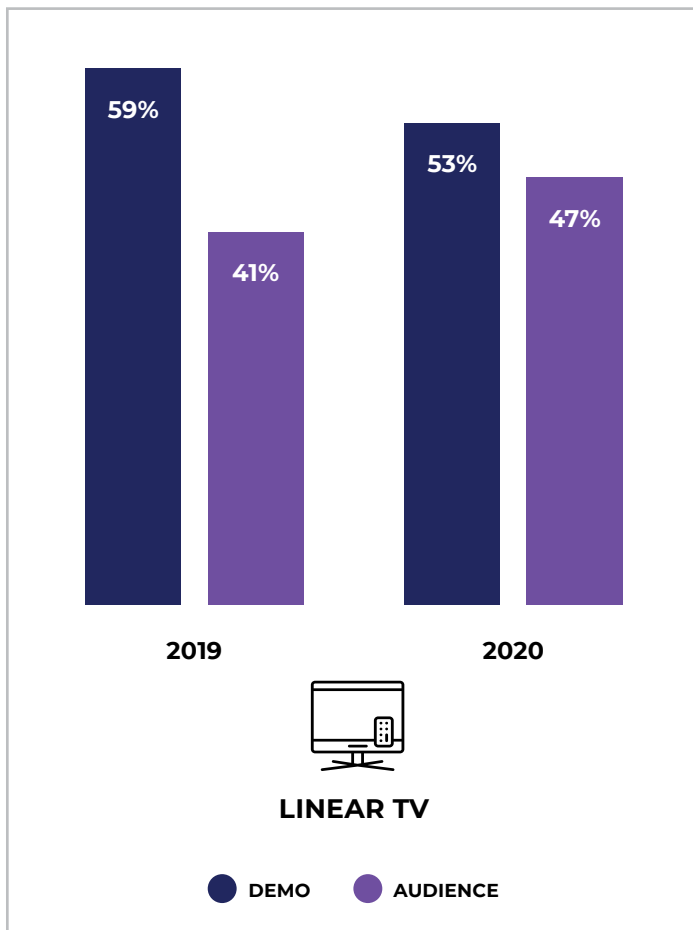
ADVANCED TV TYPES MOST LIKELY USED TO DELIVER INCREMENTAL REACH ON TOP OF LINEAR TV CAMPAIGNS
(Total Percentage Ranking 1, 2 or 3)



5. AUDIENCE-BASED TV BUYING IS INCREASING FOR BOTH LINEAR AND ADVANCED TV

The percentage of both linear TV and advanced TV that was bought using audience data rather than traditional demographic-based data is expected to increase in 2020, indicating a growing interest among advertisers in more digital-like targeting. In the next year, it's expected that advanced TV buying will shift predominantly to audience-based targeting.

ADVERTISING ALLOCATION: AUDIENCE-BASED VS. TRADITIONAL DEMOGRAPHIC-BASED



Overall, while marketers were more likely to turn to traditional demographic-based buying, agencies were more likely to experiment with audience-based buying.

A LOOK AHEAD: HOW THE FACE OF TV ADVERTISING WILL CONTINUE TO CHANGE

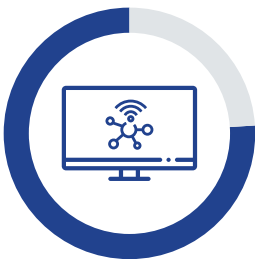
There is consensus among both marketers and agencies that changes to TV buying are coming, and they're coming fast. In the years ahead, advertisers expect to see major shifts continue as we enter a more addressable, more connected world.



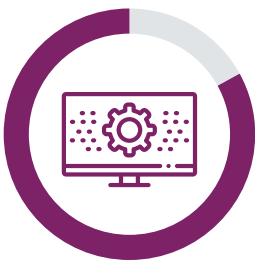
68% of respondents believe that at least half of traditional **linear TV** advertising will be **addressable** within 5 years.



57% of respondents believe a full shift to **IP delivery of linear TV** will occur in 5 to 10 years.



76% of respondents believe a full shift to **IP delivery of linear TV** will occur in 5 to 15 years.



83% of respondents believe the ad business is moving rapidly toward **programmatic**; 21% strongly agree and only 3% strongly disagree.

Source: Advertiser Perceptions, October 2019, 301 interviews with agencies and advertisers (82% mid-level or above, 39% sr. level). Historical trend comparisons are based on a custom Advertiser Perceptions survey conducted in December 2018. (While survey participants are comparable in profile, they are not identical, so percentages are used directionally.)