THE POWER OF CTV AUDIENCES & ENGAGEMENT
From the thought leaders that bring you the Video Marketplace Report (VMR) each quarter, comes more transformational research. FreeWheel's Signature Insights, explores a new platform for exploring the most widely-debated, needle-moving issues driving the premium video economy.

This installment of our semi-annual study takes a closer look at the growing prominence of Connected TV (CTV) devices and what makes them so promising yet challenging for the industry to monetize. We investigate the unique benefits of CTV and what to believe or question about the rhetoric surrounding this transformational platform.

#PowerofCTV
EXECUTIVE SUMMARY

RE-DEFINING THE FUTURE OF ADVERTISING

In 2017, we released our inaugural Signature Insights report that focused on what we then called Over-the-Top Television, or OTT. Since then, the term OTT has grown more ambiguous, sometimes referring to connected televisions, as we originally referenced, and other times to all IP-enabled video streaming. To resolve confusion in the marketplace, we’re replacing the term Over The Top (OTT) with Connected TV (CTV), and releasing an updated version of our original report.

The industry defines CTV as, “A television set that is connected to the internet via connected devices, Blu-ray players, Streaming box or stick, and gaming consoles, or has built-in internet capabilities (i.e., a Smart TV) and is able to access a variety of long-form and short-form web-based content”. In Q3 2019, Connected TV (CTV) device ad views were up 110% YOY further establishing CTV as the leading digital platform for premium video ad views in the U.S. What was once an emerging technology is now a destination for premium video viewing, transforming the way content is distributed and monetized.
In particular, these big-screen devices deliver:

**DESIRABLE AUDIENCES**
CTV allows marketers to reach viewers who are harder to find on traditional TV. CTV device penetration is the highest among Millennials, according to Nielsen, over 60% of reach on CTV is in demo, with the coveted 18-34 group driving the majority of the reach². Statistics from a recent eMarketer report say the number of digital video viewers in the US will have surpassed 235 million in 2019, which represents 71.2% of the country’s population.³

**ENGAGED VIEWERS**
Over half of CTV visits are over an hour long and viewers complete 97% of all premium video ads.

**BRAND LIFT**
CTV is seen to drive increased interactivity, producing greater lift in brand awareness and favorability during key dayparts over traditional broadcast TV buys. According to a recent Innovid & ANA study⁴, interactive CTV ads produced an average engagement rate of 0.36% with 15 second ads having an average engagement rate of 0.23%, compared with 0.41% for 30 second ads, this demonstrates that the interactive CTV viewing environment is more conducive to promoting brands than other digital channels.

While CTV brings together the best of digital video and linear television, it doesn’t neatly fit into either category. Our research identified three concerns from marketers and agencies, and suggests that misconceptions around the platform have resulted in CTV being under-utilized relative to its true value:

**VIEWABILITY & FRAUD**
Because CTV is an IP-based platform, marketers have carried over their concerns from desktop around viewability and fraudulent traffic, and as CTV demand continues to grow, the potential for fraudulent activity increases. However, companies are rapidly developing solutions to certify and authenticate viewership in order to ensure viewers are human audiences.

**INCREMENTAL REACH**
In the early days of CTV advertising, advertisers were concerned that CTV audiences would overlap with people they were already reaching through linear buys. Today, CTV has compensated for a large part of the decline in time spent with Live TV, replacing traditional linear viewing for many consumers. We found that viewers treat CTV devices just like traditional television -- they watch a
large amount of live streamed content and tune in mostly during the popular, primetime TV hours. Therefore, marketers who only advertise through linear TV spots would miss out on these CTV audiences, who are watching the same content during the same time period, but on a different platform.

AUDIENCE MEASUREMENT
While CTV is the best of linear and digital, it doesn’t fit neatly into the measurement frameworks used by either. There are many ways to measure and transact CTV if advertisers are willing to be flexible and innovate. Safe automated marketplaces open up new targeting and measurement opportunities for buyers.

Despite these obstacles, as the technology matures and advertisers grow more sophisticated, marketers are continuing to invest more of their ad spend in CTV, taking advantage of this valuable inventory.

To fully realize the potential of CTV, premium video buyers and sellers also must position their organizations to navigate these challenges. This includes:

1. **Equipping their teams with the right tools** and information to represent the value of CTV inventory and address agency concerns.

2. **Ensuring technology integrations are optimized** to support seamless execution of CTV campaigns.

3. **Leveraging 1st and 3rd party data** to overcome measurement challenges while increasing the value of their inventory.

OUR NOTE ON METHODOLOGY

In order to better understand viewers’ behavior and the opportunity CTV affords, we selected a sample of U.S. FreeWheel clients representing over 95% of CTV-driven digital ad views in our research data set. The analyses using FreeWheel data were conducted using data from Q3 2019. In some cases, sampling was applied given the large amount of data and will be called out in the charts within.
Few trends have enabled the acceleration of premium video consumption like the introduction of CTV devices. According to eMarketer, over 60% of the US population is expected to view video content on connected TV in 2020, leading programmers, distributors and advertisers to pay close attention to the increasingly ubiquitous platform.

The Interactive Advertising Bureau (IAB) defines CTV as:

A television set that is connected to the Internet via CTV devices, Blu-ray players, streaming box or stick, and gaming consoles, or has built-in internet capabilities (i.e., a Smart TV) and is able to access a variety of long-form and short-form web-based content.
In practice, CTV involves a collection of different devices that can be roughly divided into three groups [Chart 1]:

**ATTACHED DEVICES**
(91% OF AD VIEWS)
Devices that plug into or pair with a television set to stream digital content. These devices are mainly used for digital content consumption.

- *Examples:* Apple TV, Chromecast, Roku and Amazon Fire TV

**GAMING CONSOLES**
(5% OF AD VIEWS)
Devices that include home video game systems that also have built-in entertainment platforms and apps. Video gaming typically drives the original purchase of these devices, but many owners are increasingly using these devices for general entertainment and video streaming.

- *Examples:* PlayStation, Xbox and Switch

**SMART TVS**
(4% OF AD VIEWS)
Internet-enabled televisions that have the ability to receive traditional linear feeds as well as stream on-demand content without any additional devices. Seven in ten television sets sold in the US now have smart or connected capabilities. However, attached devices are still largely preferred for their more modern operating systems, and it is difficult to differentiate between embedded Smart TV technologies.⁷

Comparing ad monetization across these different categories, we find that attached devices account for the majority of ad views. When developing apps for CTV platforms, most mainstream programmers prioritize attached devices because of the larger user base and their focus on streaming video content.
SECTION 02

CTV’S UNIQUE VALUE

To date, ad spend on digital video pales in comparison to traditional linear television, but according to a recent study by eMarketer, CTV ad spend is projected to surpass $10 billion in 2021. eMarketer also noted that 2019 CTV ad spending in the U.S. has grown 37.6%, reaching just shy of $7 billion compared to $72.7 billion for linear television in 2018.

Some agencies and advertisers still approach digital with a degree of increased scrutiny given concerns associated with viewability, fraud and accountability. While these concerns are often mitigated by what we define as “premium video” - professionally produced, rights-managed video content presented in a high-quality environment - additional advantages exist when that content is consumed on CTV.

CTV provides the advantages of digital advertising in a highly engaged, linear TV-like experience. It combines the best of both worlds.
For consumers, CTV provides access to an array of made-for-TV content, both on-demand and live, the way it was meant to be watched: in a lean-back, living room environment. For publishers, it provides a unique distribution platform that creates a premium user experience and helps reach audiences on the TV screen that otherwise may choose to cut the cord. For marketers, it promises the ability to buy highly engaged viewers on a targeted, impression-by-impression basis [Chart 2].

CHART 2
DIGITAL TV VS. LINEAR:
UNIQUE PLATFORMS, UNIQUE ADVANTAGES

Leaders in advertising are looking to CTV as the way forward. In the words of Jon Anselmo, President, Chief Digital Officer at Omnicom Media Group:

“The rise of video consumption in the living room through CTV devices provides great opportunities for advertisers – new sources of premium inventory coupled with the ability to align delivery with changing consumption habits allows us to better connect with the consumer and ultimately drive more brand value for our clients... A focus on this area now ensures our clients are ready for a future that one could argue is already here.”

Jon Anselmo
CHART 3
REACH COMPOSITION OF CTV BY AUDIENCE
Q3 2019

AGES 18-34: 34%
AGES 35-49: 29%
AGES 50-64: 23%
AGES 65+: 14%

63% WITHIN 18-49 (IN DEMO)
ENGAGED VIEWERS

In a world where content distribution, and consequently audience engagement, are more and more fragmented, platforms that encourage undivided attention are increasingly vital. When a viewer tunes into a clip, show, or live stream on a CTV device, they are actively seeking out a specific series or network and tend to watch it all: both content and commercials. Furthermore, viewers on CTV devices can’t switch to another tab when an ad plays or easily change the channel during commercial breaks.

CTV’s average video ad completion rate is a whopping 97%.

While other premium video platforms also yield high video ad completion, no other platform comes close to the near perfect rate observed on CTV [Chart 4]. These superior metrics can partially be explained by the full-screen, lean-back experience that CTV enables, replicating behaviors seen on traditional linear television.

CTV also attracts committed viewers who are eager to invest a significant amount of time in their content of choice. When examining how average viewing sessions on CTV changed overall from our data in 2017, we found that 76% of visits to a network were at least 30 minutes long, with over half of visits lasting for an hour or longer [Chart 5]. Moreover, those viewers who watch an hour or more per visit spend 39% of that time watching live streamed content and 54% of that time watching long-form streamed content.
Like traditional television historically, CTV is one of the most effective platforms for driving brand metrics through engagement and call to action. According to a brand lift study by Innovid included in a recent IAB report, the activation of interactive ad units via CTV devices produced a sales lift of 35%, resulting in above average engagement and conversion rates, as well as brand favorability.

CTV is an important platform for publishers, distributors, and advertisers to reach audiences at scale and generate positive brand outcomes. This trend is likely to accelerate as more content becomes available, especially driven by the growth of new ad-supported DTC offerings.
Despite the benefits that CTV brings, the industry is still figuring out how to capitalize on its full potential. Just as the rapid adoption of mobile devices created monetization challenges due to the initial lack of standards for measurement and ad delivery, CTV has its own set of obstacles to overcome.

While CTV combines the best of both digital video and linear television, it also has acquired some of the legacy challenges and assumptions associated with each platform. Since many advertisers do not consider CTV to be an independent media category, it is inconsistently lumped in with either digital or traditional television budgets and therefore subject to the purchasing norms of each.

Ultimately, the marketing and monetization challenges that emerge require combatting misplaced assumptions and architecting forward-thinking ways of transacting on this growing platform.
In advertising, protecting brand safety and ensuring the delivery of advertising messaging to human beings is rightly a top priority for marketers. On desktop and mobile, where viewers have more flexibility to hide ads and disreputable publishers can easily purchase fraudulent traffic, the industry developed and deployed measurement solutions to prove that their ads were seen by real people.

Many agencies often require the same standards for CTV as for desktop, even though the user experience is inherently different and existing measurement does not scale across these newer devices. Videos on CTV devices take up the full screen as they do for linear TV, and devices don’t allow multi-tasking, making it all but impossible for an ad to not be fully viewable. To address agency demands, premium publishers worked with measurement companies to certify their CTV inventory is viewable using the MRC’s definition of what is deemed viewable, which has gone a long way to addressing this monetization hurdle.

Furthermore, in premium video, CTV audiences usually verify themselves as humans, by authenticating through a cable, satellite, or a direct-to-consumer service [Chart 6]. CTV has one of the highest authentication rates of any digital platform, with 68% of ad views being generated by viewers that have logged in.

We see a similarly high rate of authenticated ad views on tablets, but it starts to drop for mobile and desktop where there is more content available in front of the paywall. This large base of authenticated ad views on CTV not only implies that the audiences are genuine but that they approach the content with high intent to engage and commit to viewing.
Advertisers want their message to target audiences as efficiently as possible. Since CTV devices use the same screen as linear TV, some have raised concerns that CTV viewers may overlap with linear TV audiences. While there is currently no precise way to measure unique reach across devices, a growing body of evidence points to distinct characteristics between CTV and linear TV viewers.

According to an analysis of data from Nielsen’s Total Audience Report, people spend almost the same amount of time with a TV but increasingly access their content through multimedia devices. This suggests that a growing portion of CTV audiences have used it to supplement or even replace linear television and therefore could not be reached through traditional TV buys alone.
CTV viewing also follows similar time patterns as traditional TV viewing, indicating that audiences are merely shifting their devices and not their viewing patterns. Across all CTV device groups, ad consumption, and by proxy, viewing, rises gradually during the day and reaches a high during peak primetime, 8-10 p.m. [Chart 7]. Linear TV consumption follows almost the same pattern, with viewership rising gradually through the day with a peak during primetime and a sharp drop thereafter.15
We also find that for attached devices, the largest device group in terms of ad views, live streamed content accounts for 37% of CTV monetization. This is the same content distributed on television, now moving towards time shifted, further emphasizing that the viewers are highly unlikely to overlap with linear TV consumers.

Together, these patterns show that what and when content is watched on CTV closely mirrors behaviors on traditional TV, suggesting that CTV viewers look to the platform to replace standard TV viewing and contribute to incremental reach for advertisers.
Traditional TV and digital measurement solutions weren’t designed to incorporate CTV viewing, and there is not yet a common standard for how to evaluate campaign reach, targeting, and performance. While traditional ad measurement companies have developed solutions to measure audiences across all CTV platforms, they are still unevenly deployed.

Advancements in CTV measurement are rapidly emerging, especially through programmatic channels. One such milestone is the ability to target users through a device ID, which can give advertisers the ability to leverage their first-party data or a data management platform (DMP) to reach their identified audiences. Where device ID isn’t readily available, new solutions to build audience profiles using the combination of a viewer’s IP address and a user-agent string are emerging. However, these innovations are likely to run up against growing concerns from consumers around user privacy and personal data collection on internet connected devices.

CHART 9
CTV MEASUREMENT CHALLENGES AND ALTERNATIVES
Q3 2019

POST-IMPRESSION VALIDATION

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<thead>
<tr>
<th>PRIMARY CHALLENGES</th>
<th>ALTERNATIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>DEMO GUARANTEE</td>
<td>・ Compositional Measurement</td>
</tr>
<tr>
<td>VIEWABILITY</td>
<td>・ Audience Targeting</td>
</tr>
<tr>
<td>FRAUD / NHT</td>
<td>・ Ad completion / view-through rates</td>
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<tr>
<td>AUDIENCE TARGETING</td>
<td>・ Certification through 3rd party (e.g. Moat)</td>
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| DEMO GUARANTEE      | Tracking criteria don’t work for server side integrations |
| VIEWABILITY         | Tracking dependent on Flash/VPAID, which aren’t supported by CTV |
| FRAUD / NHT         | CTV doesn’t employ cookies, which are typically used to create user segments |
| AUDIENCE TARGETING  | Build audience profiles based off Device ID or IP + user agent |

Methodologies do not yet scale across all OTT devices
Tracking criteria don’t work for server side integrations
CTV doesn’t employ cookies, which are typically used to create user segments
Custom traffic analysis
Build audience profiles based off Device ID or IP + user agent
As Jonathan Bokor, Chief Privacy & Business Affairs Officer at Tru Optik puts it:

“CTV represents a very valuable opportunity for advertisers and brands to utilize the precision audience-based targeting capabilities of digital in the context of the TV screen, while also bringing real-time campaign reporting and optimization to the growing audience of viewers who have diversified their viewing habits with CTV.”

Jonathan Bokor
CTV holds a world of promise for publishers and advertisers alike. By bringing together the best of what digital video and linear television has to offer, these devices provide a preview of how the future of premium video will unfold.

The desirable audiences, engaged viewers - and marketing effectiveness that CTV brings to the table make it an increasingly essential channel for marketers. While barriers remain in order to accelerate advertising investment, each member of the premium video ecosystem -- buyers, content publishers, distributors, tech providers -- must do their part to develop and align on standards for transacting CTV.
So what can publishers do now to help drive progress?

1. **Arm teams with knowledge & tools:** Agencies, marketers, and publishers all need sufficient knowledge about the benefits and limitations of CTV to intelligently sell and buy in the medium, anticipate concerns, and be able to offer creative solutions to address them. Having the right training and understanding of industry best practices in this area will be critical to success for all players.

2. **Ensure system integrations are optimized and aligned:** Delivering a quality CTV viewing experience involves integrating multiple device endpoints with unique specifications and ensuring that a variety of delivery systems effectively communicate with each other. It’s important that publishers make sure all of their systems are configured to get the most out of their CTV inventory, including ensuring that key pieces of information are being passed between systems to enable richer targeting. Buyers agencies and buy-side technology vendors need to ensure their systems are properly calibrated for the unique characteristics of CTV devices.

3. **Leverage data to maximize inventory value:** There’s vast opportunity in selling beyond traditional age and gender on CTV. The ability for advertisers to bring in their target audience lists and find them on these devices puts a premium on CTV inventory. Publishers should experiment with new ways of packaging and pricing CTV as well as open it up to safe automated channels where it’s easier for advertisers to incorporate their own data. Additionally, publishers should work with DMPs to define audience segments (e.g., based on age, income, psychographics) that they can sell against.

CTV offers the best of both worlds between television and digital advertising, but realizing those advantages will require properly implementing best practices through focus and commitment.
ABOUT THE AUTHORS

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FreeWheel’s Advisory Services team helps businesses navigate complexity and adapt to change in the rapidly evolving premium video industry. We partner with many of the industry’s leading publishers to uncover opportunities for growth, execute new strategies, and evolve their organizations through actionable consulting engagements, proprietary research, and business intelligence. Our dataset of over 200 billion annual worldwide video views, gathered from census-level ad monetization and viewership across all digital devices, informs our industry-leading quarterly Video Monetization Report and semi-annual Signature Insights studies. We look forward to working together to help you advance your premium video strategy.

**SOURCES**

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