DIGITAL TV EUROPE

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TARGETED ADVERTISING

MULTISCREEN & OTT PART 2

Ad and divide

Rather than a reinvention of TV advertising, the industry is moving to combine the best of both the digital and traditional TV worlds. This migration is taking advantage of lessons learned from the internet and uniting those with key processes from traditional TV advertising, writes Adrian Pennington

The advertising market is shifting towards digital, programmatic and targeted models and with it the idea that both content and ads should be crafted to address a specific audience.

From the traditional 'one-to-many' broadcast approach, brands and advertisers want to move to one-to-one conversations with targeted audiences and measure the direct impact of these engagements.

Advertising outfit GroupM's addressable TV Lead, Jakob Nielsen, says: "Ten years ago we had limited choice of programming, based on a broadcaster deciding what time we'll watch it. TV was a family event and we paid attention to that event and to the advertising around it. Now, everything has fundamentally changed. Everything is on the consumer's terms. We are not just paying attention to the programme but also to a mobile screen and we are fast forwarding and zapping around. The attention on the ad is really changing and this has a dramatic impact on advertisers – our clients."

A note on terminology is required: enhancing the traditional ad metric with household data delivered over the same (cable, satellite, DTT) mechanism is generally referred to as 'addressable' TV, as distinct from targeted advertising, which pulls and pushes increasingly granular data about individuals over the public internet.

The shift to targeted models is considered vital to ensure that advertising on broadcast TV is able to compete effectively with newer internet-based platforms, which have increased their ad revenue at the expense of broadcasters.

Drop in investment

GroupM downgraded its expectations for growth in the UK ad market this year as a result of a significant drop in TV investment. It expects the decline in TV advertising by large brands to be mirrored in a 3% drop in TV ad spend this year. The ad giant also predicts 2017 will yield 59 billion commercial TV impressions among 16-24 year-olds in 2017, a 10% drop year on year and the lowest volume since the arrival of Sky Digital in 1998.

Addressable TV is increasingly seen by broadcasters as the way to arrest this alarming trend. The technique is expected to command higher unit prices (estimated at between 200-300%), enable better monetisation of inventories and increase viewer satisfaction by serving more relevant ads to viewers. Solutions that span DTT delivery and live adaptive streaming are being actively considered.

"The challenge will be combining a granular targeting model with a broader targeting model and avoiding wasted advertising space," says James Grant, director, partner management, Europe at ad software vendor Freewheel. "Flagging a new car to the Jones family in Northampton is excellent targeting, but what does the rest of the country see in that particular ad-slot? If the industry can align and build a scalable targeting model then there is a significant opportunity."

Sky has built the poster child of addressable advertising with its AdSmart technology. As of April, AdSmart has secured 1,130 advertisers, run 7,635 campaigns, totalled five billion impressions with a return rate of 75%. The percentage of new to TV or Sky Media is 73%.

Graeme Hutcheson, Sky Media's director of digital and Sky AdSmart, says the opportunity is "massive" from both the hundreds and thousands of SMEs across the country that are yet to tap into the effectiveness of TV – "because they can target their specific audience/location affordably" and for major brands that "can use their customer data and creativity to better engage key audience groups. The opportunity can only grow as technology expands beyond the Sky platform."

Indeed, TV's power as an advertising media has not diminished. "You cannot achieve reach in the same way with digital," says Nielsen, who thinks the medium will grow more powerful with addressable TV. "The opportunity is to combine the huge impact of the large screen with the reach of data so you can move targeted ads at individual households."

There's an important caveat regarding targeted ads. "We don't think it will necessarily be relevant for all advertisers," he says. "If you are Coke you still want to reach a mass audience but if you're trying to sell a new BMW then all of a sudden addressable becomes very important to you."

Others agree that targeting is not for everything. "Just because you can doesn't mean you should," agrees Léon Siotis, managing dreictor, UK and southern Europe at programmatic exchange SpotX. Procter & Gamble was one of several fast-moving consumer goods providers that admitted it over-invested in Facebook, for example. "Too much targeting can got too granular when you're trying to sell toothpaste and washing detergent."

In this case OTT can add a different value – such as the ability to insert an ad in real-time that's relevant to the particular household watching the show. "Ad space in OTT can function and add value in two different ways: as extensions to existing inventory, or as entirely new, separate inventory," explains Boris Felts, head of video advertising, media solutions, Ericsson. "If seen as an extension to existing inventory, ads placed in OTT services parallel those shown in the traditional linear broadcast. In this case, OTT deliveries provide additional reach and may be used to adjust frequency. If considered new inventory, ads for OTT delivery are sold independently from the traditional broadcast and different ads are shown by the platforms. Selling the OTT platform ads separately from the traditional delivery opens up additional revenue."

Combining the virtues of broadcast and OTT to deliver a hybrid solution geared for personalised advertising is considered the ultimate goal. If a service provider could deliver ads via OTT and weave these seamlessly into the broadcast stream, "the result would be a powerful personalised advertising capability," according to Kai-Christian Borchers, managing director at multiscreen software provider 3 Screen Solutions. "Advertisers would command higher fees because they would have a far greater understanding of the actual reach of the message."

DVB standard

Broadcasters are looking at addressable advertising across screens. "The challenge remains to have viewers actually watch the ads and feel they get value as consumers for doing that," says Simon Trudelle, senior product marketing director, Nagra. "Nobody has 'cracked' the issue yet, and this also explains why linear ads still fetch high ad rates."

Given the strong market rationale to adopt targeted advertising, broadcasters are generally keen to do so, and some deployments have already taken place. However, these are limited to vertical TV environments where an operator has control over the full delivery chain, including end-user set-top or client device, like Sky. When it comes to horizontal broadcasting, no complete solution currently exists that enables broadcasters to deploy and benefit from targeted ads, which is a significant challenge.

The DVB has embarked on a project to harmonise targeted ad technologies and processes for all distribution mechanisms using the HbbTV 2.0 interactive TV standard. While its main constituency are Europe's free-to-air broadcasters, the DVB believes pay TV and pure-play OTT will benefit from a common framework.

"If we want to scale this across broadcast, operators and OTT we need some kind of standard so it is not a zoo, like now, where there are multiple proprietary solutions," says Thierry Fautier, who co-chairs the DVB's targeted advertising study mission group.

He points out that when it comes to targeted ad deployments there is nothing in common between Invidi (a joint venture between DISH Network and AT&T in the US), Visible World (now Comcast), Sky AdSmart, and Cadent (at different cable MSOs), although they all use the same standard SCTE-35 markers.

"If I am an advertiser or a campaign manager and I want to place ads across all the different platforms, it is going to be a nightmare. Advertisers want a seamless integration across all the screens and more importantly across all the delivery networks," says Fautier.

The AdSmart platform has made Sky a pioneer of addressable advertising.

This is where the DVB believes it can bring value. Standardisation would make it easier for pay TV to deploy targeted ads commercially. Fautier also points to the advantages from harmonising back office requirements for OTT, broadcast and service provider platforms.

"We already have the adhesion of broadcasters and are now working with pay TV operators," says Fautier. "OTT solutions, either server or client-based, are based on playlist manipulation. Here there are also many proprietary solutions deployed, and not much in common between different solutions."

The HbbTV 2.0.1 spec comes close, but does not fully meet the requirements to implement targeted ads in the broadcast environment. It can support insertion of advertising over IP into broadcast streams but doing so frame-accurately is a big technical challenge. The lack of a clear and full deployment of the HbbTV specification (including some of its optional features) in all markets is also a constraint.

The DVB's next steps are to define a charter for the work and identify market needs. It will then develop the commercial requirements that will lead to a technical specification. A final standard is expected by the end of 2018, or early 2019. The idea would be that any spec or eventual standard could also go global.

"We think vendors (of addressable ad tech) will be able to scale more easily with a standard," says Fautier. "The most important piece is to develop the commercial requirements to capture market needs and then develop a holistic approach to targeted ads independently of delivery networks."

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Thierry Fautier, DVB Targeted Advertising Group

He stresses that the DVB will not meddle in regulatory issues but only seek to define the technical spec and the hooks into back office services.

"Privacy will not be touched," he says. "We assume somebody else takes care of this. We will focus on the technical aspect, the accuracy of reporting, the quality of experience. The market is already enabled, but it is not perfect. I am convinced the DVB can help accelerate and scale addressable advertising."

The challenge for that to happen, according to John Tigg, senior vice-president, enterprise solutions EMEA at Videology, is that since HbbTV's live ad switching capability only works on the most recent models "a large replacement cycle needs to take place."

Pay TV challenge

Pay TV operators face different challenges, including whether or not they currently monetise any of the inventory on their platform. Some will monetise via advertising their own or some partner channels; others won't monetise any advertising at all and will be focused solely on carriage fees for their revenues.

However, the same opportunities exist for pay TV operators as for broadcasters, with the added benefit that pay TV operators already have access to subscriber data and so have a head start in that area.

Sky's AdSmart proposition proved in 2016 that leveraging hybrid set-top boxes, OTT and multiscreen technologies to deliver more valuable ads, while also attracting new advertisers to the TV space, is a sound business proposition. A deal between Sky and Virgin Media that will see Virgin trade using AdSmart gives the two companies access to 30 million viewers in the UK and Ireland, meaning they will have sufficient scale to compete with social media networks.

"OTT has the potential to expand the pool of targetable homes engaging beyond Sky households to younger millennial audiences who use streaming services or non-subscription TV offerings," explains Hutcheson.

The picture looks superficially similar for pay TV operators elsewhere in Europe – but this masks major differences. In France, for instance, Canal+ is a vertically integrated broadcaster, with rights to sell ads across a number of channels it carries, with distribution through its own infrastructure. However, as

OTT TV providers and targeted ads

Pure play OTT providers such as Amazon and Apple TV, or even the technical platforms such as Roku, face very different challenges. Their advertising strategies range from no paid advertising (Netflix) to a more traditional approach with ad breaks in the middle of content (Hulu). Other OTT providers offer tiered consumer pricing based on varying ad loads (YouTube).

"Many are still trying to break into an established content and advertising market, and so their strategies are more aligned around building an audience based on their content," says James Grant, director, partner management, Europe at ad management software vendor Freewheel. "The advertising strategy is undefined until those regular audiences are in place."

The challenge for such providers is to innovate the existing TV ad model which would enable them to break into the market. "At present the investment required is predominantly focused on content and it will be interesting to see if that's sustainable or not," he says.

Boris Felts, head of video advertising, media solutions, Ericsson feels that the main challenges are: agreements with broadcasters and content providers for ad inventory (except when it comes to owned, original content); the ever-increasing number of competing services; and managing high levels of churn.

There's a further issue too, related to brand safety. GroupM downgraded its expectations on pure-play internet growth from 15% to 11% in 2017 after seeing some large advertisers pause investment on un-moderated user-generated platforms.

"A very big focus for advertisers now is being in a trusted environment," says Group M's addressable TV Lead, Jakob Nielsen. "There's a backlash against Google and Facebook by clients whose ads were served in un-brand safe environments. It's not easy to solve given the way they've built their businesses. The same goes for small OTT players. It's very important for them to figure it out."

Videology's Tigg points out, many French consumers may ultimately be provided with pay TV via a broadband provider like Orange.

"A broadcaster like TF1 will be carried by Canal+, yet the owner of the distribution infrastructure is a third party like SFR. For addressability to be enabled those stakeholders need to collaborate. The question becomes 'who owns the value?' Broadband infrastructure providers don't want to be a dumb pipe for broadcasters and pay TV. They want to participate in the value [of] targeted advertising since they own a large part of the data."

Another issue holding back the French market is legislation that prevents different ads being shown on different TV screens. "Clearly a huge drawback when addressability is concerned," says Tigg. Moves are underway to address this but it will ultimately require substantive legislation.

In Germany, cable TV providers like Unitymedia or Kabel Deutschland may hold the contract with a subscriber but require the customer to purchase a set-top box in order to receive the package. The resulting multitude of different types of set-top box in the market makes it very challenging to execute addressable TV, given that the software and the hardware is different from box to box.

Broadly for this sector, connectivity of set-tops is the first requirement, followed closely by data science infrastructure. According to Nagra's Trudelle, telcos and cable operators are in "a good position" to enable targeted ads on a large scale, "though many still need to upgrade their networks and CPE devices to be able to truly leverage the data opportunity".

"Pay TV service providers, which see Google or Facebook going after both the ad and paid video models, therefore need to make sure they offer the same capabilities to their content partners – broadcasters, AVOD and SVOD. Such a transformation could prove expensive for services providers that need to make major infrastructure and CPE investments," says Trudelle. "On the other hand, a number of smart technologies, leveraging headend and backend systems, can offer intermediate solutions that will ease the investment burden in the short term. Smart data analytics platforms that leverage external data can offer tangible business benefits while relying on limited viewer data. That's where service providers need to be smart and tap into TV vendors' expertise to find actionable solutions."

Incorporating mobile into the mix

The Ericsson Mobility Report published in June this year forecasts an almost tenfold growth in mobile data traffic between 2016 and 2022, with video growing from 50% of the mobile data load in 2016 to 75% of the load in 2022.

With mobile advertising projected to reach nearly US$128 billion (€110 billion) in 2018 according to Zenith's Media Consumption Forecasts 2016 report, we can expect to see significant value to video service providers that have mobile delivery platforms.

"One of the best hunting grounds for pay TV and broadcasters is going to be in mobile because of the huge increase in consumption of live TV through mobile apps," says John Tigg, senior vice-president, enterprise solutions EMEA at Videology. Sky Go is a classic example.

The specific requirements to benefit from growth in mobile video are, says Graeme Hutcheson, Sky Media director of digital and Sky AdSmart: "digital ad insertion in live streaming and digital ad insertion capability in to-mobile VOD; analytics to prove efficacy; measurement to provide validation; a common currency and a consistent and scalable audience."

The goal is to treat all TV the same way. A targeted ad platform should unify mobile, OTT and desktop enabling broadcasters to manage all impressions in a combined pool of inventory.

"With almost 50% of all impressions now on mobile devices it's clear there's a lot of value in the mobile market," says James Grant, director, partner management, Europe at ad management software vendor Freewheel. Freewheel's last Video Monetisation Report (first quarter, 2017) showed 23% of its European TV client's impressions were delivered to tablet and 19% to smartphone. "It is our view that mobile can, and should, be managed within existing ad tech platform providers."

Optimising bandwidth and making sure that video plays fast and smooth are key requirements for mobile services. "With ad-blockers, the ad insertion also needs to take place at the headend whenever possible, clearly a technology area where pay TV service providers and broadcasters have valuable expertise," says Simon Trudelle, senior product marketing director, Nagra.

Since video is consumed either through a mobile web browser or in apps, OTT providers are in a strong position if they can attract consumers to their applications and monetise the associated video views. Thierry Fautier, co-chair of the DVB's targeted advertising study mission group, says OTT providers need to tailor the ad type (duration) to mobile consumption while Boris Felts, head of video advertising, media solutions, Ericsson, urges providers to "put systems in place that reduce friction during ad buying/selling, provide data visibility to ecosystem stakeholders, and use industry-standard interfaces for messaging."

Collaborative models

It's not just technology but relationships between the different partners that is key to monetising data. The fact that the so-called GAFA platforms drive an increasing share of the total ad budget of many large brands means that relationships are also evolving.

"If the operator has its own inventory to monetise then it can use their subscriber data and its challenge is similar to the broadcasters – namely, how do we best manage our viewers' data and preferences while delivering targeted ads in a business model that is future proof?" says Grant.

If the operators have no inventory of their own the challenge is different. "Do they negotiate with the broadcasters on their platform to access the inventory – which means they also need to set up a sales arm – or do they sell them their data – which means they need to consider the long-term security and compliance issues around managing and selling that data," says Grant.

Measurement is by some way the biggest challenge. Whereas linear TV ratings are the ruling audience measure and also a trading currency, in order to scale a far more granular, flexible and trusted metric needs to be developed. "Sky's measurement on AdSmart is great but we ideally need BARB to move a lot quicker on introducing [cross platform measurement] Dovetail," says Group M's Nielsen. "How do we measure OTT and linear? It's a massive issue."

Finding a solution requires industry standards to ensure data from many sources can be merged, compared and normalised. Similarly, with campaign metrics, "platforms and providers must be able to report on delivery and performance in a way that advertisers can compare with other activity," says Lorne Brown, president of business management solutions provider Sintecmedia.

There is pressure to change the traditional trading processes of agencies and advertisers. "If you're a CMO used to buying and planning TV in a certain way and GroupM tells you about a targeted advertising product, then the CMO immediately understands it. But then they ask how do I do this? They've been planning in a certain way for decades and now they need to know how to put targeted ads into their media mix without a robust measure of value."

Siotis agrees. "Thinking we can move people's habits overnight is naïve," he says. "The existing system has worked really well but everyone recognises you can improve on it."

Across Europe development in this area will depend on collaboration involving channels, platforms, sales houses, data vendors and tech providers.

"Providers and platforms must keep in mind that advertisers have a lot of choice, and want to be able to buy across channels easily and at scale," advises Brown. "To ensure they can do this repeatedly, providers need a front-end proposal system that sits on top of a universal product catalogue, providing access to all products across linear and digital. If these systems are also designed to be open and easy to integrate with, advertisers will be able to get what they want, while providers will be able to remain profitable and scale to meet demand."

There is also a need for a universal product catalogue that ties together publisher inventory in linear and digital platforms for efficient yield management and operations. "We can't have a salesperson forced to log in to multiple systems to see the inventory that can be executed, and then map execution across systems to manage inventory. People inside the business know where/how it all works," says Brown.

Brands may be risk-averse, but Nielsen predicts that 30-50% of all ads will be addressable within five years. Indeed, the reassurance TV provides as an ad platform is being used by broadcasters to sway advertisers into coming on board.

"OTT broadcast environments are giving the trusted and brand safe environment brands are looking for," says Hutcheson. "Digital brands are looking to be able to move to the trusted and brand-safe model of TV where advertising and measurement is the gold standard."

The EU's General Data Protection Regulation comes into force next May and is expected to have a significant impact on how data-focused OTT, telco and online content providers will operate. "Broadcasters should be pursuing very clear 'opt in' rules with regards to their users," says Siotis. "Until now you required consent but the incoming rules will be much more robust."

The big datasets necessary to make targeted advertising work are a headache. Most broadcasters and pay TV operators have "very few resources committed to data management and how new data monetisation technologies – machine learning, curation – can be applied," says Tigg. "That's the broadcaster's Achilles heel compared to Google or Facebook, which have ridiculously large R&D budgets."

However, this issue is not preventing broadcasters like Channel 4, STV or RTL in The Netherlands from innovating.

"They spy a huge opportunity to make incremental revenue from currently unmonetised channels," says Siotis. "SpotX works with STV across its digital inventory. The publisher has the ability to sell inventory by traditional means using enhanced targeting options or to buy it programmatically in that same auction. The publisher has control over their inventory."

Despite this, more outside-the-box thinking may be needed. "What's holding us back is the constant power struggle between operators and linear TV channels," argues Borchers. "Both want a tight relationship with the viewer, both want the right to market much-desired TV content, and both want the biggest possible slice of the ad revenue pie."

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Kai-Christian Borchers, 3 Screen Solutions

For a broadcaster, the challenge lies in addressing, through one platform, all the operators carrying the channel. "What is the best way for the broadcaster to manage an ad for a diverse group of operators?" he asks. "It's a major challenge. Each operator has different requirements, different inputs for ad ingest and insertion. When you have to operate a cable or satellite headend, ensuring that ads from a different source are inserted seamlessly – not to mention the need to interface with different set-tops – is far from seamless today. Broadcasters lack ad servers with adequate sophistication to accomplish this."

The time, money and expertise needed to accomplish this can be challenging. "By bringing together an understanding of an operator's business and technology, you can create an architecture that manages all video ads on all networks within VOD and linear," Borchers contends. "With technology innovation, and comprehension of the array of coding formats used, of set-top architectures, and a shared commitment among stakeholders, that total advertising pie can be made much, much bigger."

Truly intelligent ad serving technologies will eventually recognise that a particular male viewer can be a motorsport enthusiast, a DIY hobbyist and, at the same time, a family man with young children. With this level of granular understanding, big brands can reach for deeper into the household, with better brand traction.

"But it all requires a highly sophisticated ad server, customer data and an ad player smart enough to interrupt the linear stream, grab an ad, and once the ad is over go back to the linear stream," says Borchers. "Easy to do on OTT, tricky on set-tops with all their diverse characteristics. Advertisers and free-to-air broadcasters are putting pressure on tech players to raise their game and get working on solutions which achieving this harmonious STB/OTT switching and interoperability."

The ultimate goal of course is to have a one-to-one understanding of a subscriber's profile and interests, and the ability to communicate directly to the individual. This is something that the internet has done very successfully. No OTT provider is currently delivering 100% personalised targeted ad placement. But delivering individualised streams via OTT is definitely possible and this is where the industry is headed. ●

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AMAZON'S EUROPEAN CHANNELS

MULTISCREEN & OTT PART 3

COMING TOMORROW