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DEMYSTIFYING CONNECTED TV: HOW TO LEVERAGE ADVERTISING'S HOTTEST NEW CHANNEL

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SPECIAL REPORT

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INTRODUCTION

For the first time ever, the viewership share of linear television (i.e. traditional broadcast and cable) has fallen below **50%**, according to **Nielsen**. It's not that people aren't watching TV, it's just that they are no longer watching it the way they used to: streaming is rapidly taking over and **now represents** nearly **39%** of total TV usage.

Indeed, there is a sense of inevitability when it comes to connected TV (CTV). Exactly when it will happen no one knows, but there seems to be a general consensus that **eventually everyone will cut the cord — and when that moment arrives, CTV will become just TV.**

"We are at a point where cord-cutting has transcended age demo," said Sarah Monahan, Head of Retail and Ad Sales at **Roku**, which is the **mostly widely used** streaming interface in the U.S. "It used to be just college students or just Gen Z, but now we're seeing that every demographic and every part of the country is cutting the cord. Without access to streaming apps, consumers miss out on a wealth of the content being created right now. Even Hollywood is becoming streamer-first," she said in an interview with *Retail TouchPoints*.

CTV's flexibility, accessibility and pricing make it a better deal for consumers, and its advanced advertising capabilities make it better for brands. (Whether CTV, and streaming in general, is better for content creators and distributors is another question and one that is **currently being duked out** in Hollywood.)

"TV is [now] a performance machine, like search and social, with affinity-based targeting, audience segmentation, incrementality reporting and accurate real-time attribution," said Jennifer Brickler, Customer Success Manager at CTV performance marketing platform **MNTN** in a recent **webinar.** "Reliably connecting the dots between views and action is now a reality for CTV."

And yet despite these enhanced capabilities and growing consumer uptake, advertising spend on CTV is still lagging: while more than **one quarter** of consumers' digital time is spent with CTV, less than **10%** of U.S. digital ad dollars currently flow into the space, according to ***Insider Intelligence***.

As consumer habits shift and the media landscape becomes more fragmented, CTV is emerging as a powerful new marketing channel. For brands looking to up their CTV game, this report digs into:

- Viewership trends and a breakdown of the **major players in CTV today;**
- The **new capabilities CTV advertising** unlocks and how retailers can effectively tap into these opportunities; and
- Best practices for **integrating CTV into broader omnichannel strategies.**

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> — Jennifer Brickler, MNTN

MAKING SENSE OF THE CTV LANDSCAPE

The brave new world of CTV can be, as new landscapes often are, a tad confusing, not least because of the various new terms bandied about. In the case of CTV, there's "OTT," "streaming," "linear," "video-on-demand" and "addressable TV." Here's a quick rundown:

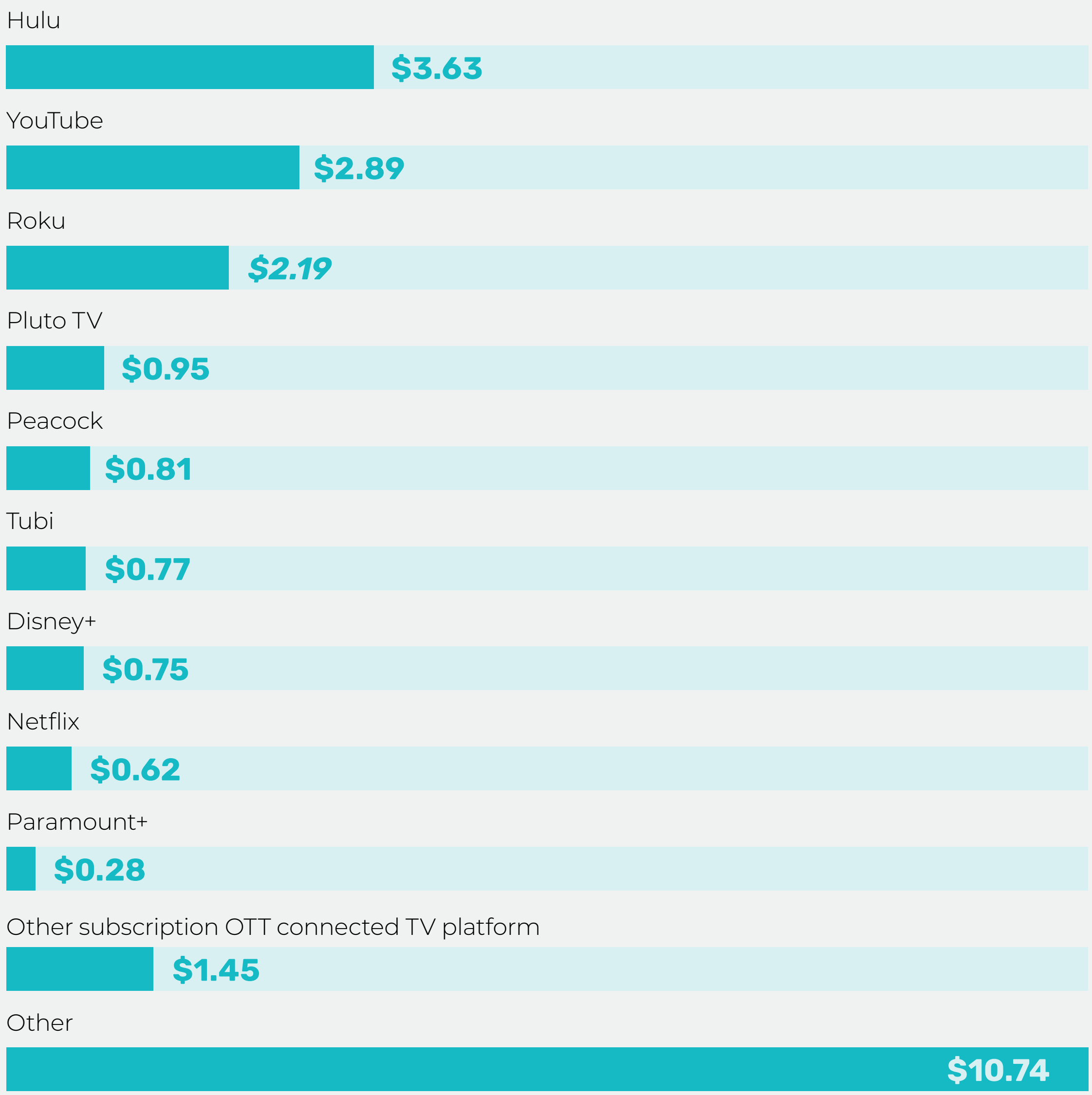
OTT or "Over-The-Top" refers to video content delivered over the internet (as opposed to content delivered via a cable or satellite connection, a.k.a. **"linear television"**). The biggest difference is that with linear TV the same program (and the same ads) are broadcast at the same time for all viewers, while most streaming TV is on demand. **Connected TV** or CTV most often refers specifically to streaming content viewed on smart televisions that connect to streaming apps like **Netflix**, **Hulu**, **Disney+**, **HBO's Max** or **YouTube**.

"The best way to put it is that linear advertising gets delivered through a coaxial cable, and what you deliver to one person is the same thing you deliver to another person," explained Taylor Ash, General Manager of CTV Inventory Development at demand-side platform **The Trade Desk** in an interview with *Retail TouchPoints*. "[Because] connected TV is internet connected and IP based, there's this additional level of information that somebody can use to buy and deliver much more relevant, highly targeted ads, so **it creates a whole new world of relevancy for the TV advertising environment**."

Fun fact, nearly **45%** of YouTube viewing now happens on connected TVs, and **YouTube is currently the largest recipient of CTV dollars** (predicted to be nearly **$6 billion** in 2023), per ***Insider Intelligence***. YouTube's dominance is due at least in part to its first-move advantage; brands already are acclimated to advertising on the platform because of its long presence in the digital video space.

U.S. Connected TV Ad Revenue, by Company, 2023

billions



Note: digital advertising that appears on connected TV (CTV) devices; examples include display ads that appear on home screens and in-stream video ads that appear on TVs from platforms like Hulu, Roku and YouTube; excludes network-sold inventory from traditional linear TV and addressable TV advertising. Source: ***Insider Intelligence****, April 2023*

Where things get complicated is that different players in the ecosystem sometimes use terms interchangeably. For example, *Insider Intelligence* only counts CTV advertising for ads delivered to smart televisions, not ads served on streaming content on other devices like computers, phones or tablets. (Not everyone makes such a stark distinction based on device.)

Another somewhat confusing term is "**addressable TV**," which in its broadest sense simply means the ability to show different ads to different TV viewers watching the same program. Some companies regard all ads served on streaming (or on-demand) content as addressable. Others use the term "addressable TV" to distinguish between CTV and linear television's attempts to bring similar targeting and measurement capabilities to viewers using set-top boxes — that is, to give traditional TV viewers **customized ads based on certain targeting parameters**.

For this report, *Retail TouchPoints* will stick with the broader understanding of CTV in discussing new opportunities for advertisers to capitalize on streaming audiences. While we will studiously avoid the term "addressable TV" for simplicity's sake, it should be noted that **one of the key benefits of CTV advertising is that it is "addressable,"** that is, it can be targeted to audiences based on any number of attributes, much like search and social advertising.

In fact, a recent study on video ad spend by the **Interactive Advertising Bureau (IAB)** found that **audience targeting capabilities were the top reason for increased ad spending in CTV**, with **47%** of ad buyers saying that was why they chose CTV, according to Eric John, VP of the Media Center at the IAB. Proving ROI also topped the list, said John in an interview with *Retail TouchPoints*, given that CTV allows brands to "measure in ways that you simply can't on broadcast, given the data that comes with **the understanding that an ad was served to a specific audience and the outcomes that follow."**

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CTV TRENDS IGNITING PERFORMANCE MARKETING SUCCESS

By Tim Edmundson, Senior Director of Content and Research at MNTN

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If you know anything about connected TV (CTV), you know it's extremely popular. It's the new way people watch television — **eMarketer** estimates 230 million people will regularly stream CTV in 2023.

But do you know it's the new way to launch performance marketing campaigns? Maybe you do — the majority of your peers seem to. In a recent poll, MNTN and *Advertising Week* found that nearly two out of every three marketers surveyed view CTV as a performance marketing channel.

If you're that lonely third marketer, don't worry. We can get you up to speed on why so many of your competitors are leaning on CTV to generate net-new revenue, web traffic and more. At MNTN we work with hundreds of performance-driven advertisers. To get a better understanding of what success on CTV looks like, we analyzed mountains of performance data sourced from their campaigns. Here are a few of the key callouts.

Q4 Quality

During last year's vital **Q4 holiday season**, CTV advertisers on the MNTN platform on average saw year-over-year improvements to key performance metrics, including return on ad spend (+9%), conversion rates (+6%) and cost per visit (-9%) when compared to average returns the previous year.

With Q4 2023 on the horizon, CTV could make the difference when it comes to beating your competition. Those year-over-year improvements show that marketers are getting more savvy and performance-oriented when it comes to their CTV strategies.

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Supporting the Full Funnel

For advertisers interested in generating results across the entire sales funnel, the case for running prospecting and retargeting is clear. In Q4 2022, advertisers that combined both upper- and lower-funnel efforts performed better than those who only ran upper-funnel prospecting campaigns.

Advertisers who hit the full funnel saw:

- 17% higher return on ad spend;
- 24% higher conversion rates;
- 43% lower cost per visit rates; and
- 65% lower cost per acquisition.

The key takeaway here is that successful CTV advertisers aren't just sticking to the upper funnel. When they add lower-funnel retargeting, they generate notably stronger outcomes.

CTV's Impact on Other Ad Channels

Not only is CTV generating results on its own, it's boosting **other ad channel performance**. Brands saw improved conversion rates on paid search (+22%) and paid social (+8%) 90 days after launching their performance-driven CTV campaigns.

Performance marketers count those two channels as mainstays of their strategy. The fact that CTV helps boost their performance alongside creating net-new results means that it is a great holistic addition to any performance strategy.

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3 THINGS CTV CAN DO THAT LINEAR CAN'T

1 AUDIENCE TARGETING

"**Connected TV has become the next scalable performance marketing channel, right alongside paid search and paid social,**" said MNTN's Brickler. "Brands can now tie revenue, conversions, website traffic and much more to their campaigns, all with the prestige of running commercials on **the largest screen in the household**."

The CTV content environment also has improved: "**Some of the best shows out there you can only get through streaming, so you're not sacrificing quality by moving into this space**," said The Trade Desk's Ash. "In many ways you're gaining a lot because you're still getting the quality, but now you're getting all of this additional opportunity to make more intelligent, optimized buying decisions on top of it."

CTV also offers advantages over other performance marketing channels: "Audience-based targeting for connected television takes guesswork out of the mix — we can use third-party intent data, such as in-market segments [indicating users that are more likely ready to purchase] to determine who is in the buying phase for products," added Brickler. "And **we don't have to guess the search terms that consumers are going to be using**."

"There's no denying that one of the most effective parts of a linear TV investment is building fast scale," said Roku's Monahan. "But we are now at a point where streaming can **100%** do that too. The foundation is there, i.e. the audience and the scalable investments; everything else is just truly bringing to fruition the idea of **marrying TV with the best of digital**."

2 ACTIVATIONS THAT AREN'T POSSIBLE IN LINEAR

When done right, video can be a very compelling medium, and with CTV, brands that typically didn't have access to TV audiences can reach them with their video content: "In the paid search space, [advertising consists of] text ads that pop up when a user types in a specific search term, but **with connected television you really bring the brand to life**," said Brickler. "You use that video creation to pull the audience in, and with performance TV those commercials are non-skippable."

Additionally, because of the agility of these digital platforms, "you can shift your creative, and you can do it in a shorter turnaround time," said Ash. "Typically in linear, you have to ship out your creative with more advance notice, and the way that it gets executed is quite different than in a digital environment. Also, **you can deliver creative to one audience that's completely different than [what you deliver] to another audience**."

Not to mention that CTV platforms often offer new ad placements not available on traditional TV networks: "On linear you're primarily thinking about your **30-second** spot and your **60-second** spot," said Roku's Monahan. "That's definitely a huge part of what Roku does, but now we're also opening up our user interface so that a brand like **McDonald's** can appear in **Roku City** [the platform's screensaver/emerging virtual world]. Or there's the banner on the home screen. **There's a lot of creative ways that you can think about your brand in connected TV that you can't in linear**."

3 MEASURABILITY

While the effectiveness of linear TV advertising was incredibly difficult to measure — making TV a more top-of-funnel awareness play — with CTV, brands can track the effectiveness of their campaigns just as they can on other digital channels like search and social. “The summary of measurement solutions we offer looks a lot like a social platform or digital mobile offering,” said Monahan. “We've got a ton of first-party as well as third-party partnerships that enable us to **measure the entire funnel, from brand awareness to incremental store visitation or incremental lift to your linear campaign** — there's such a rich breadth of capabilities when it comes to measuring CTV investment.”

“**For direct-to-consumer brands it’s nirvana**,” said the IAB’s John. “These are companies that cut their teeth buying media on social media platforms and search. They want to be able to select an audience, upload creative and go. That is beginning to be possible on CTV. It's like the ‘easy button’ for these **brands that are already doing this everywhere else in digital**, and it's turning on the light bulb for a channel that they've always wanted to be in.”

CTV MEASURABILITY: A WORK IN PROGRESS

CTV isn’t quite living up to its promise in terms of measurability just yet, in large part because the advertising industry is still in transition. “Just because linear television was bought on a GRP [gross rating point], that's not what we should apply in connected TV,” said Roku’s Monahan. “You can get so much more out of your connected TV investment, so **we certainly don't want to be measured in antiquated ways just because that's how it once was done**.

“To be fair, brands have proprietary models they’ve built for years around very specific ways to measure linear, **so it’s a huge overhaul to evolve the way we think about what it means to spend a dollar in connected TV**,” Monahan added.

Even the ways brands typically measure performance on other digital channels don’t fully translate to the CTV environment, including:

- **Last-click attribution** isn’t great for CTV since most ads aren’t clickable;
- **Spike analysis**, which measures a spike in sales within a certain timeframe around the airing of a TV ad, doesn’t work for CTV since viewers aren’t all watching the same content at the same time; and
- **View-through attribution**, which is used to measure the impact of other kinds of video ads, tends to cause over-attribution for CTV, muddling the picture for marketers regarding what actually works, said MNTN’s Brickler.

To solve for this, **platforms like MNTN are working on proprietary attribution models that account for the nuances of CTV**. In the case of MNTN this means using common digital identifiers such as **household IP addresses, device IDs** or **Google Analytics IDs**, as well as other behavioral signals, to track whether a user visits a brand site on any of the devices in that household within a determined window after a CTV ad is served. Then MNTN runs a diagnostic to ensure there wasn't any other marketing channel that drove that visit, such as a social media ad or blog engagement, to ensure that CTV only gets credit where credit is due.

While this is only one company’s solution to the current CTV measurement “problem,” it illustrates the various factors that must be taken into account to accurately measure a CTV ad’s effectiveness.

PUTTING CTV INTO THE MIX

Despite the rapid growth of consumer CTV consumption, **advertisers are still under-indexing on CTV advertising spend**. *Insider Intelligence* **estimates** that brands will spend **65.6%** of their digital advertising dollars in mobile this year and just **9.5%** on CTV, despite the fact that CTV will surpass **one-quarter** of digital time spent. And even though linear TV ad spend is shrinking, it will still grow **8%** this year to surpass **$61 billion** in the U.S., while CTV ad spend will total just over **$25 billion**. That represents **21%** YoY growth for CTV, but the total is still dwarfed by what brands are spending in linear.

Of course, **there's almost no scenario where CTV should make up a brand's entire advertising budget**. As Roku's Monahan pointed out, there's even still a place for linear: "I certainly can't imagine a world where my husband stops watching live linear sports on some of the broadcast channels. But I do think **it has to be proportionate to the reality of where your audience is**," she said.

To determine the right mix of channels for advertising spend, Monahan suggests that brands start by looking at their goals (upper funnel brand awareness vs. a bottom-funnel conversion focus, for example), as well as where their primary audience is spending time. Then, brands can get "quite prescriptive" on where to place their ad dollars.

"As people are dipping their toes in to understand how to spend in CTV, a great place to start is with the partners they bought with in the linear environment, for example, the networks," said The Trade Desk's Ash. "You can still buy that same content, but in a much more data-driven, intelligent way."

"**We've seen this movie before — spend always lags behavior**," said IAB's John. "But for a retailer to not be actively in the place where their consumers are, either current consumers or future consumers, they're losing market share. Everyone wants reach and eyeballs that they haven't connected with before, and CTV is where you can buy that incremental reach. **If you're a DTC brand [and you're not advertising in CTV], you're already losing share of your future audiences**. If you're a retailer looking to drive people back to store, you can do **geo-specific and other audience targeting**. Retailers are losing out on the opportunity to right-size their spend and actually get a greater return on that spend by not being in CTV today."

LEARN MORE...

MNTN builds advertising software for brands to drive measurable conversions, revenue, site visits and more through the power of television. MNTN Performance TV is the world's first and only Connected TV advertising platform optimized for direct-response marketing goals. It redefines what advertisers can do with television, giving them the power to tie performance directly to their TV campaigns. We believe television belongs right alongside paid search and social in advertisers' direct-response marketing strategies. That's why we applied our experience in building performance marketing software to create an ad platform that combines the precision of digital with the impact of television.

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