

Watching the Future of TV

As television advertising looks to unlock the targeting and personalization powers of digital video, addressable TV emerges as a front-runner to actually make that today's reality.

BY REBECCA LIEB | ICONS BY MARY DELAWARE

Jennifer Aniston's sweater.

For those of us who worked in television 20 years ago, when digital marketing was only slightly more than a promise on a distant horizon, “Jennifer Aniston’s Sweater” was shorthand for all that was to come in the brave new world of television. The idea was one of interactivity + commerce + attribution. While watching *Friends* (not yet in syndication), you’d admire the lead actress’ sweater, click your remote and the sweater would be on its way to your house.

It didn’t quite work out that way, but television has nonetheless evolved significantly in the past two decades from being a stagnant advertising medium that boasted broad reach but only as a blunt instrument. The standard has too long been GRPs and branding with little accountability and lots of wasted spend (just consider all the feminine hygiene ads that air in male-only households).

Although television advertising has yet to deliver Ms. Aniston’s sweater during a broadcast, it can now (thanks to digital technology) deliver features advertisers have come to expect, such as precise targeting, accountability and ROAS.

This new category of advertising—known as “advanced TV”—comes in a variety of flavors. Addressable TV is at present the most appealing to advertisers given that unlike the three other forms of advanced TV, it’s specifically an advertising channel. It’s also one of advanced TV’s fastest-growing segments.



What Is Addressable TV?

Addressable TV is a method of delivering highly targeted advertising to individual households in both live and playback modes. Ads are delivered through cable, satellite and Internet Protocol TV (IPTV) delivery systems and set-top boxes. The advertiser-defined target can be established using first-, second- or third-party data enabling targeting and segmentation to take place at demographic, geographic and/or behavioral levels.

What does this mean for the addressable TV universe? (Currently, 50 million, or 42 percent of US households, are reachable.) An advertiser might want to reach males 24-50 with incomes exceeding \$100,000, who are in-market for a new car, or adults with a propensity for Caribbean vacations who possess current passports. Brands obtain this data through third-party providers (such as Experian or Acxiom), then work with cable operators to determine the number of addressable-enabled households that fit their target. Segmentation and delivery can also take place at the geographic, demographic, and behavioral levels. Commercial spots are served by the cable operator to just the homes that fit the advertiser’s defined target.

Additionally, creative can be targeted to segments within the broader segment. For example, families with valid passports who plan to travel to France in the next six months see one spot while the same cohort with a propensity for Caribbean destinations sees a different execution. Or families who own an SUV would be served a different new tire spot than sedan owners.

During the campaign’s duration (typically two weeks) the advertiser can specify a desired number of exposures, which helps ensure that both light and heavy television viewers are exposed to just the right amount of ads—never being over- or under-served—regardless of time of day.

Operators currently dedicate two minutes per hour of local programming to addressable TV inventory, but that number is certain to increase as the medium grows.

What It Means for Advertisers

“There’s a huge case for addressable TV being 10 times the size it is now,” says enthusiastic consultant, industry pioneer and cofounder of Research Measurement Technologies, Bill Harvey. He points out that an auto dealership, for example, only wants to reach homes that are in-market to purchase a new vehicle. The dealership knows that’s one in six homes, but not which homes. Buying a broadcast spot, therefore, means wasting five out of every six dollars spent. With Addressable TV, that same dealership can lower their CPM from \$150 to \$100. The dealer saves one-third of their budget and reaches only relevant households. Meanwhile, the cable operator has more inventory to resell. It’s a win-win.

Harvey notes three primary advantages with addressable TV: better measurement, better engagement and removing “waste” audience.

But addressable TV’s advantages don’t stop there. We’ve identified four primary areas in which addressable TV benefits not only advertisers, but the

entire advertising ecosystem, not least of which is a better experience for the audience.

1. Targeting

Whether using first, second or third-party data, addressable TV opens up precise targeting as never before in the history of television. Demographics, psychographic, geo-, purchase history and census data are just the beginning. Tracey Sheppach, who ran over 250 addressable TV campaigns at Publicis before founding her own firm, Matter More Media, observes this level of targeting is something even advertisers who want to talk to “everyone” must reckon with. “That’s a fallacy,” she says. “Of course there are targets. Of course there’s specificity. Even for Coca-Cola.”

A critical aspect of that targeting can be personalizing and/or versioning spots for different cohorts within the overall target audience. Advertisers can version addressable TV creative as they do with programmatic display ads. This personalization can be extended to mobile and desktop video, whether display or social. As Eyeview’s Boaz Cohen puts it, “It drives outcomes from video, no matter where that video appears.”

2. Measurement

Purchases, foot traffic, propensity to buy, and other types of conversion behavior can be tied back to the campaign. “Addressable TV is akin to direct marketing, just a different vehicle,” says Acxiom’s Curtis Barone. Direct marketers have made attribution (and by extension, accountability) a science and so too can addressable TV advertisers. As Eyeview’s Cohen points out, television has begun losing money to digital channels precisely because of its lack of accountability—but this is about to change.

The insights acquired through addressable TV campaigns can also be applied to cross-device messaging. Not only can video spots run on both television and digital devices to target the same person, but so too can learnings from one channel be applied to the other. Eyeview’s Cohen hopes this will lead to better coordination between the agencies that handle digital and those that buy television, possibly even

creating efficiencies when one shop can handle the work it’s now necessary to engage two agencies for. Advanced TV veteran Mitch Oscar, head of advanced television strategy at US International Media, does raise a note of caution in this realm, raising the point that when other media are used in tandem with addressable TV campaigns, attribution does get murkier.

As another bright point, the myriad ills that plague digital advertising, including ad fraud, viewability and ad blocking, all are non-issues with addressable TV advertising. “It’s a well-lit environment,” Sheppach says.

3. Cost Savings

Addressable TV is a premium product, but since only targeted households are served ads, savings can be significant. Additionally, lower costs lower the barrier to entry to TV advertising. “When I was a brand manager 20 years ago, you couldn’t be in TV without \$20 million,” Sheppach says. “Now you can drive robust campaigns for under \$1 million.”

“Every channel is looked at in terms of ROI except for TV,” Barone says. Thanks to clear attribution, marketers can calculate the ROI (and ROAS) of their addressable TV campaigns. Harvey adds that when segments are well defined, the ROI of addressable campaigns averages five times higher for CPG brands. “If you have the segmentology down, you’d be crazy not to go addressable with validated segments.”

Additionally, as ads are triggered only when the target is actually watching television, the advertiser purchases no wasted inventory as is common with other forms of broadcast advertising.

4. Improved User Experience

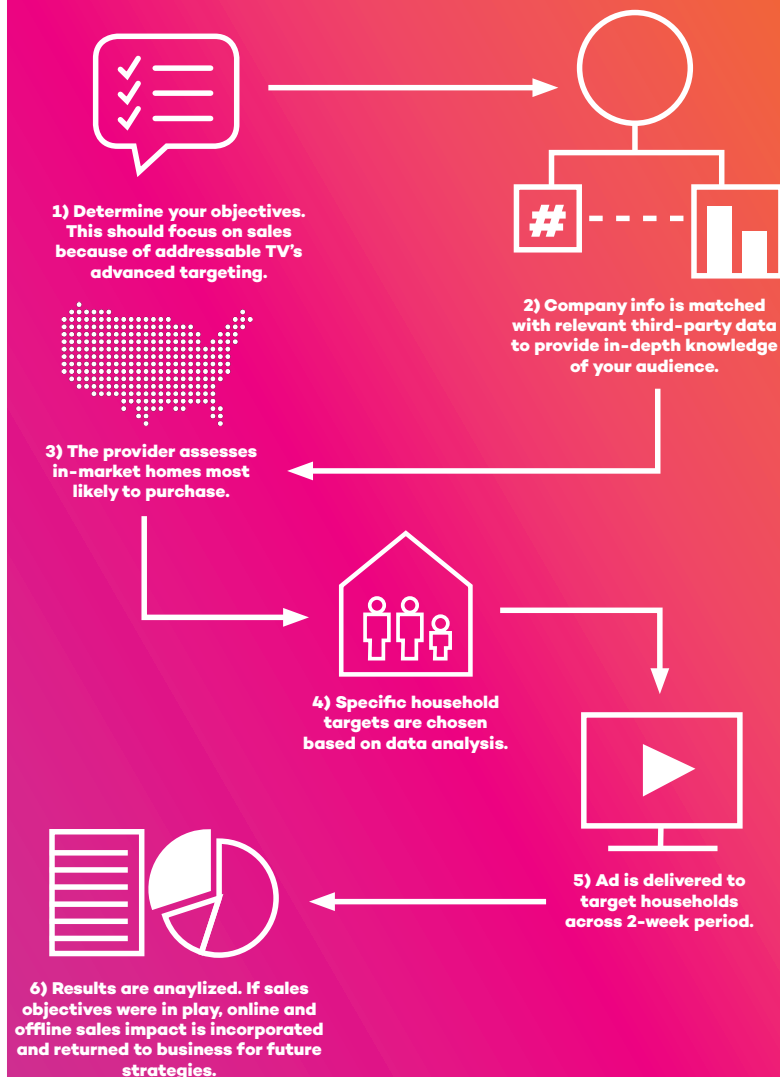
Addressable TV’s relevance to consumers’ needs and wants is an enormous leap forward after a century of one-size-fits-all television advertising. Spots are shown only to households with a demonstrated interest in the product or service advertised.

And those consumers needn’t be inundated with ads, either. Advertisers can test ideal ad frequency

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**TRACEY SHEPPACH,
MATTER MORE MEDIA**

How Addressable TV Works



Source: AT&T AdWorks

Size & Growth of the Advanced TV Market



Currently 49.8 million addressable households in US (42 percent) have set-top boxes for which census-level data is available.



With almost \$900 million in advertising spend during 2016, advanced TV is on track to reach \$2.2 billion in 2018, and its household penetration should rise to 74 percent of TV homes by 2020.



The VAB found addressable TV ad spend is projected to increase by 443 percent between 2015 and 2018 and double from its current level—\$890 million in 2016—by 2018, when it will reach \$2.17 billion in ad spend.

Source: Video Advertising Bureau

with addressable campaigns, then specify how many times each targeted household should be served a spot. This goes far to eliminate potential ad fatigue and increase engagement on the consumer side while achieving optimal results for the advertising brand.

Addressable TV is still in its infancy and still has a ways to go, of course. Different operators use different technologies, and until there's standardization, campaigns can get complex when multiple operators are involved. This lack of standardization can also make buying, rollout and campaign analysis complex. Chalk it up to growing pains. Nonetheless, addressable TV is the most targeted, accountable, cost-effective and relevant form of broadcast advertising in history.

How can advertisers best prepare for and execute against all that addressable TV has to offer?

Best Practices for Advertisers

1. Understand Audience & Planning

Size the target. The sweet spot is reaching between 5 and 30 percent of the US. If your audience is too big you're better off running a linear campaign, as CPMs will be too high. *Of the 50 million addressable households, how many are in this target?* Do the math. If it's too broad, it's more efficient to simply absorb the waste.

Know how to negotiate, or engage partners to do it for you. Both data and media buys can be expensive but negotiable.

- Who is my intended audience?
- What am I asking them to do?
- Where do I find that audience?

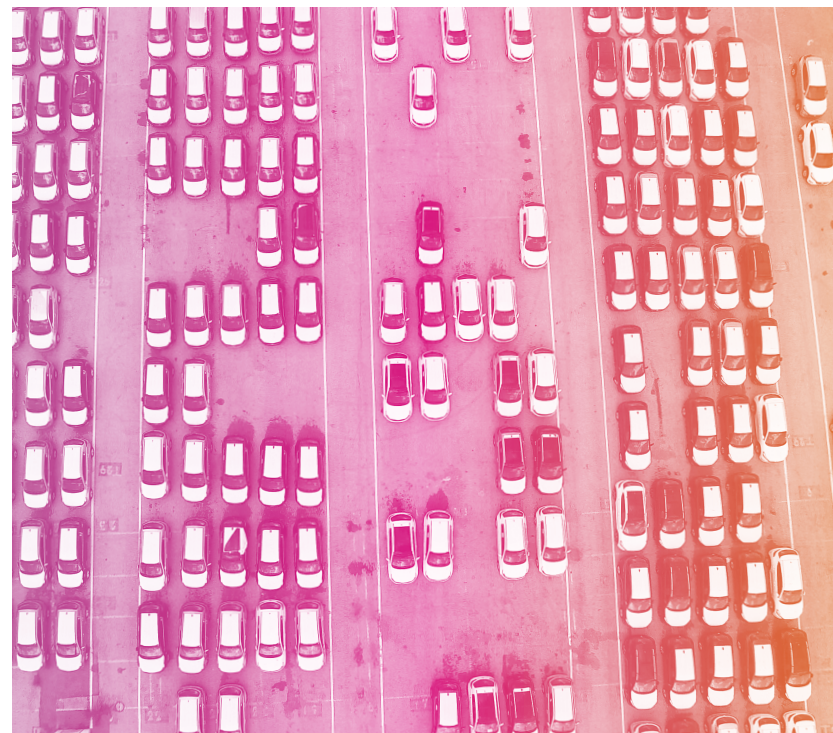
2. Find and Define the Target Audience

First party data is a great starting point. The more direct the relationship with your consumer, the better your first-party data will be. Data is almost always flawed, but results are still better than 99 percent of television advertising. Direct match for targeting as much as possible.

- Understand how to select second- and third-party data. Don't just target category heavies as that won't deliver the highest ROI. Category-heavy, brand-light is the highest ROI group.
- Consider look-alike and fusion groups, but before committing demand to see how accurately these predict a known benchmark group.
- Ten percent of the audience should be reserved as a control group to test incremental sales.

3. Collaboration

Invest in subject expertise and work with experts on the front- and back end. Addressable TV is a significantly different discipline than digital advertising—it's not about cookie and IP match but rather household records.



“Addressable TV is akin to direct marketing, just a different vehicle.”

CURTIS BARONE, ACXIOM

PHOTO: © STOCKNINJA-STOCKADOBECOM

Data companies such as Acxiom and Experian are your partners for household data. They can help size your audience across each of the MVPD providers.

Step 4. Measurement & Attribution

Establish goals and KPIs. As with any other marketing initiative, develop a measurement plan to ensure successful campaign metrics.

- Include a call-to-action in campaigns. You need something to measure against.
- Attribution matters. Attribution metrics can include marketing mix, time, exposures and multi-touch.

Step 5. Finally, Just Do It

All the experts interviewed for this article are adamant on one point: Addressable TV is the future, even for advertisers not currently broadcasting television ads. Laser-sharp targeting means more results with much narrower reach. Or, as Sheppach puts it: “Tampon ads don't matter to men. They just don't.”