



Addressable TV and Implications for the Future of TV Measurement

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Background

On July 31, 2019, CIMM held a Members-Only workshop “Addressable TV and Implications for the Future of TV Measurement” to help better understand the near-term outlook for addressable TV and its impact on TV measurement (agenda in appendix). The event featured presentations, case studies and panel discussions from addressable TV ecosystem members on both the sell side (media and distribution firms) and the buy side (media agencies).

Although the complete definition of Addressable TV can include not only Linear/VOD, but also Zone Targeting, Index Targeting and CTV/OTT/TV Everywhere apps, the primary focus of the Workshop was Linear/VOD. The content and discussions focused mainly on current addressable TV spending in both VOD and in Linear TV, that is sourced from the 2 minutes of operator (often called “local”) ad time available through MVPD platforms.

However, a key reason to hold the Workshop was for national networks to understand the requirements and implications related to opening up their inventory to addressability. In particular, there are implications for the future of TV Measurement, since there currently isn't a method for separating addressable and non-addressable spots in the Nielsen C3/C7 ratings. Following are the key issues and themes that emerged from the workshop which are discussed in greater detail in the balance of the document.

Key Themes and Issues Takeaways

- **Complexity with a payoff** Addressable TV is operationally challenging to execute, however, successful addressable campaign results amassed during the past several years indicate the labor intensity of coordinating transactions across multiple addressable platforms with potentially disparate data sources and targets is worth the effort.
- **Emerging addressable tactics** Addressable tactics used to achieve superior ROI have expanded beyond granular precision targeting and now include more advanced placement approaches such as frequency capping and targeting across multiple consumer sub segments to further reduce waste.
- **Addressable inventory expansion** Commercial overlays appearing on Smart TV sets within national network TV inventory is the next potential source of addressable ads, beyond what is provided by MVPD platforms. Four operational issues need to be addressed to achieve progress in this pursuit:
 1. Contractual agreements between TV networks, MVPDs and Smart TV manufacturers must be put in place
 2. TV networks need to develop a profitable addressable pricing model that increases per-capita inventory revenue while also providing advertisers a material discount in effective target CPMs

3. Standardization of consumer targets and data sources across networks will streamline process for advertisers and media agencies
 4. Uncoupling measurement and reporting of addressable spots from national C3/C7 ratings
- **Smart TV implementation solutions** Two organizations, Project O.A.R. (Open, Addressable, Ready) and Nielsen are developing Smart TV systems for addressable placement on national TV networks.
 - **Data standardization and data quality** – Standardizing data sources across addressable platforms and other forms of TV video, i.e., Linear, data-driven Linear, VOD and connected TV (CTV) is the ideal scenario for implementing addressable TV, or all TV for that matter. But consistent addressable campaign success suggests that the use of disparate TV viewing and consumer data sets, while sub optimal, appears to be workable for the moment. What’s not known, however, is the impact on results of testing multiple data sources for the same addressable campaign. Based on workshop discussions, we would assume a positive lift for all sources used. The magnitude of improvement, however, could vary by source, all implementation variables, e.g., target/segment definition, media placement, etc., being equal.

Themes and Issues Detail

Addressable TV: Complex Execution but Rewarding Payoff

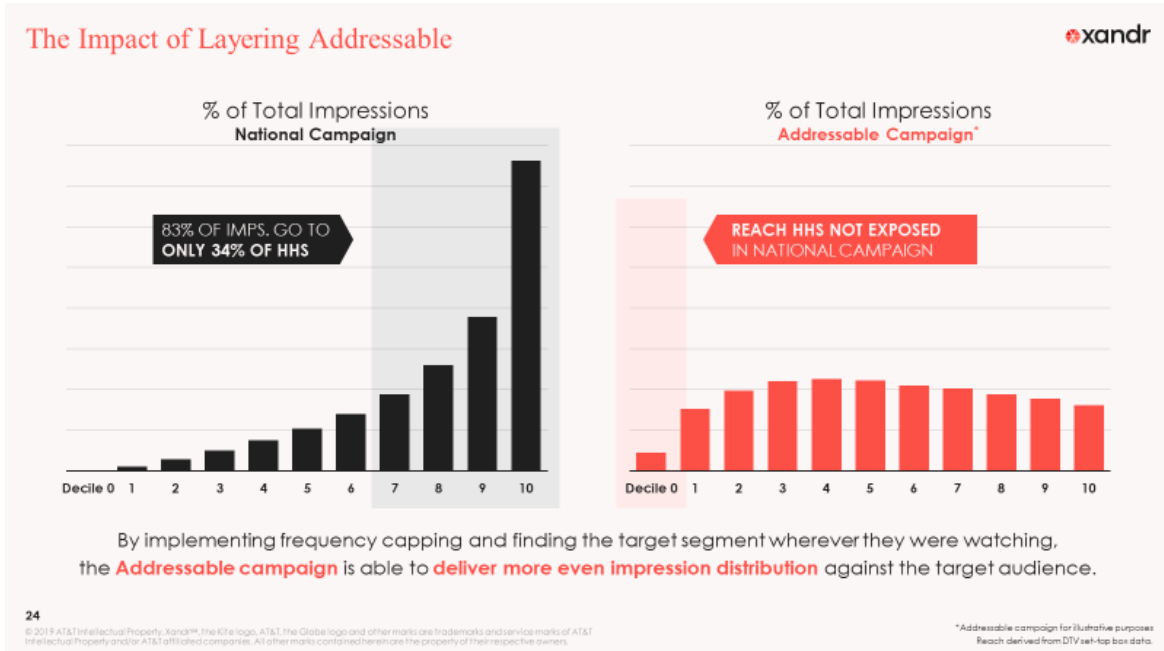
Virtually all presenters and attendees felt that addressable TV advertising is challenging to execute but worth the effort. The difficulties largely center around executional coordination and lack of standardization. For example, a national addressable buy requires advertisers and media agencies to coordinate negotiations and transactions across multiple MVPDs whose offerings may vary in terms of consumer targeting and viewership data sources. But the expectation is that the process should become more streamlined with the emergence of consolidated addressable sales organizations. Two MVPD sales consortiums include Xandr (Direct TV, A&T Uverse, Dish, Altice and Frontier) and NCC Media (Comcast, Cox and Charter). While this advancement is likely to quicken workflow pace and efficiency, there is still a fair amount of coordination required both across and within addressable ecosystem firms. Bob Ivins of NCC mentioned that a “team sport attitude” is a requisite for successful addressable execution.

Case studies cited from the sell side demonstrated that addressable TV generates positive lift and ROI. Closed loop measurement systems, where the impact of addressable advertising is isolated versus other forms of TV and media exposure, have made possible the collection of addressable proof points during past several years. The integration of granular TV viewing data with consumer responses such as sales transactions and web site visits are at the heart of this closed loop measurement.

The sell-side case studies presented at the workshop demonstrated addressable impact across a full spectrum of outcome metrics. NCC, for example, reported a 25% lift in the volume of a travel marketer’s website deal page views during a one-month addressable VOD campaign. A Sling case study cited a 12%-13% increase in unaided brand awareness for a consumer electronics marketer during a four-week period. Another addressable Sling campaign produced a 21% sales lift for an OTC product, including more than half the sales from new buyers, during a 90-day window. Later in the workshop media agency panelists’ experience with addressable TV aligned with the sell side, that the preponderance of addressable programs results in positive outcomes.

Expansion of addressable tactics

Addressable strategies and tactics are now expanding beyond precision targeting and ROI as indicated by two workshop case studies. In both instances, addressable frequency capping was used to help increase ad exposure against lighter viewers in the target audience. Xandr presented an instance whereby addressable placement provided reach extension of target viewers not exposed to a national Linear campaign, while using frequency capping to ensure that the incremental addressable reach was evenly distributed across target viewers. As with most national Linear TV campaigns, a relatively small portion of people, likely to be heavier viewers, wind up seeing a disproportionate number of ads; frequency capping keeps this oversaturation in check. NCC’s travel marketer campaign, meanwhile, used addressable placement to drive website conversions by increasing ad frequency against consumers most likely to be in market for travel. In addition to frequency capping, presenters and attendees mentioned creative-specific targeting by segments, for example millennials, empty nesters, etc. and potentially cross-media programs.



Achieving addressable success: four “must-haves”

Following are four key steps for attaining success in addressable TV:

1. **Feasibility check** - the very first step is to determine whether addressable advertising is appropriate for the brand. Very often decision criteria focus on whether addressable outcomes are likely to exceed the value of addressable CPM premiums. For brands with high-penetration target audiences such as Coca Cola, national TV may be more cost-efficient, despite the waste of reaching non-buyers. On the flip side, automotive brands with regional buying skews are likely to reap an advantage by purchasing addressable ads on MVPDs with compatible geographic footprints, for example. Advertisers and media agencies can tap their historic addressable experiences to help determine whether the category or brand is suitable for addressable placement.
2. **Target segment selection** - translation of consumer target to TV target is critical; the target should serve as reasonably strong predictor of consumer response. Often times addressable results are used to modify target segments based on the consumers who actually responded versus those initially targeted
3. **Measurement plan** - a plan to isolate the addressable TV plan impact must be established to understand how well the initiative is working and whether performance meets or exceeds feasibility thresholds for repeating an addressable program.
4. **Coordination** - executional alignment is required across addressable ecosystem members, i.e., advertiser, agency, media companies, data partners, etc.

Addressable inventory expansion

The fifteen minutes of National TV time per hour is now being explored as a source for tapping addressable ad inventory beyond the two local minutes allotted by MVPDs. Smart TV technology is being tested to overlay creative executions on Linear ad inventory already purchased and scheduled by brands. This approach, known as SASO (single advertiser spot optimization), involves serving ads for one advertiser who can split single-spot air time across one or more brands to reach different target homes. There are three considerations that will impact the prospects for national addressable implementation, according to Mike Bologna of Cadent:

1. **Contractual agreements between Smart TV manufacturers, TV networks and MVPDs** - all three must give the nod to complete the national addressable loop. TV networks and MVPDs, for example, would likely need to modify existing carriage agreements to accommodate execution of commercial overlays. The contracts, for example, would need to spell out the revenue shares for each of the three participants plus any caps or restrictions on the portion of ad inventory enabled for addressability.
2. **Network TV addressable profitability** – A TV network must be able to yield more revenue from addressable spots than standard Linear units to make

addressable inventory sales profitable and worth the effort. This means that when the unit is divided across Brand A and Brand B, for example, both brands would pay a higher women 18-49 CPM but a lower effective CPM. The effective or ECPM might reflect medium/heavy buyers of organic shampoos or buyers of high-end cosmetic products, for example.

3. **Target standardization** - the goal should be to harmonize target definitions and consumer data sources across TV networks. Disparate definitions would introduce complexity in making apples-to-apples comparisons across TV networks when developing ad schedules, establishing audience delivery counts and evaluating outcomes.

National addressable placement solutions

Two workshop presenters provided previews of plans for executing and measuring addressable advertising sourced from national TV minutes. Both incorporate Smart TV overlays for their solutions and will follow the SASO addressable ad model. Project O.A.R. is a consortium of TV networks supporting a platform of Vizio TV sets under the auspices of Inscope, a Vizio subsidiary. Nielsen has entered the addressable TV advertising space buoyed by its acquisition of Sorenson Media and will be utilizing data sourced from two TV set manufacturers. for its beta offering. Nielsen’s Advanced TV Measurement Task Force, an advisory collective of primarily TV networks and media agencies, will serve as the driving force to give shape to its Addressable Ad Measurement Framework.

Following is a high-level comparison of the two prospective services on select dimensions, reflecting content covered in workshop.

	Project O.A.R	Nielsen
Number of TV sets	12 million TVs (Vizio); in discussions with other OEMs* to launch an open standard	16.5 million homes from multiple manufacturers; in discussions with other OEMs
Launch timing	January 2020	2019-20 – Integration, Development and Beta Testing 2020-2021 – Commercial introduction
Addressable insertion model	SASO	SASO, MASO
Addressable audience measurement reporting scope	National and local TV ad inventory	National and local TV ad inventory
Audience measurement and reporting principles	Emphasis: 3 rd party verification; standardized identification through Ad-ID	Emphasis: tie back to Nielsen tenets: universe estimates, HH demographics, coverage, representation, computations

*Original Equipment Manufacturer – refers to TV manufacturer

Both O.A.R. and Nielsen intend to follow existing audience measurement standards and principles. While O.A.R. is launching a pilot on Vizio sets, their intention is to create an open standard technology that will work for all Smart TV manufacturers. Nielsen, meanwhile, is looking to deploy their proprietary standard across Smart TV

manufacturers. Both organizations are testing their technology with beta participants. Project O.A.R is addressing technical issues associated with ad decisioning and insertion, synchronization of device clocks for ad insertion timing, back-to-back addressable insertion, etc. Precisely-timed signal cues are critical to proper addressable execution; these signals are sent by master control ad distribution devices to let Set Top Boxes or Smart TVs know an ad insertion is coming.

One vital consideration for Smart TV addressable solutions is their ability to achieve wide coverage across U.S. households and viewers. From an operational perspective, a federation of Smart TV manufacturers for executing addressable national advertising inventory would benefit advertisers and agencies in the same way that centralizing transactions across MVPDs' would streamline locally-sourced ad execution. Consolidation would also enable media strategists to manage ad frequency across multiple OEM platforms. Other Smart TV manufacturers such as Samsung, Sony, Sharp, Toshiba, etc. should be brought into the fold.

Integrating addressable TV with other video media

Advanced TV Framework Addressable TV is most often deployed as one element within a larger video plan which is likely to include a base investment of Linear TV that is supplemented by digital video, connected TV, etc. During the media agency discussion, panelists were asked to provide their firm's framework for evaluating and selecting all various forms of video and effectively communicating this internally and to clients. In general, the panelists portrayed a structure whereby available TV ad inventory is viewed according to levels of target precision, from lower to higher resolution:

- **Linear TV** - standard age & gender targeting which serves as currency for audience guarantees, one-to-many targeting
- **Data-driven Linear (DDL)** - advanced targeting that accompanies Linear TV transactions; finer resolution of one-to-many targeting
- **Addressable Linear and VOD** - advanced targeting on a home-by-home basis that improves advertising impact through waste elimination
- **CTV/OTT** - advanced targeting at the household and/or device level; greater capability for dynamic ad insertion (DAI)

The challenge for media strategists is how best to effectively integrate, deduplicate reach and frequency, and measure ROI for these different forms of video, considering that they are mostly measured and reported independently of each other. For example, Nielsen viewing estimates are the currency for evaluating audience delivery of national TV campaigns while Set Top Boxes are the data sources for addressable buys as reported by MVPD providers. Smart TV audience reporting is being cued up for addressable buys sourced from national TV inventory. Combining data sources through matching is a natural route to pursue but has its limitations. As each medium is added, the number of records matched thins out and reduces dataset utility for cross-platform decision making.

Despite the disconnect across data sources, media agency panelists described a layered approach for combining TV video elements into overall TV plans. Consistent with conventional media planning, the first step is defining the consumer target through first-party data (if available) and scaling the target profile through third-party segments. The foundational Linear TV plan is then created around this target definition and other forms of TV video are used to supplement target audience delivery of the underlying Linear TV plan. Addressable TV, for example, may be used to reach lighter TV viewers or intensify ad frequency only to homes that match the target segment description. CTV weight may be added to reach younger consumers who may not be regular viewers of Linear-supported TV.

Data standardization and data quality

The issue of standardizing measurement and data surfaced consistently throughout the workshop but the concern was to some extent muted by references to years of positive addressable test results, all executed with disparate data sets. The consistency of successful tests seemed to imply that consumer and viewer data are “mostly right” and possess a degree of face validity. One issue that emerged was whether it was critical to target households or persons, when addressable Set Top Box metrics don’t indicate which household members are watching. Since household targets are used for all Linear addressable advertising campaigns this issue felt moot, given the historical success of addressable campaigns.

What was not discussed, however, is how data quality might vary across multiple sources and the notion that test results may all point in the same upward direction but differ in lift magnitude, depending on data source used. For example, an addressable TV buy executed across three separate MVPDs may deploy three different consumer targeting data sets to be overlaid on TV audience estimates. These data sets may vary in terms of technical specifications, as well as recency or freshness, representativeness, number of consumer records and targeting granularity. The big question remains as to how much incremental value would “perfect” consumer data sets yield versus what we are currently using today.

Appendix

WORKSHOP: Addressable TV and Implications for the Future of TV Measurement

Agenda:

- 2:00 - 2:20** ***Introduction:*** Michael Bologna, Cadent – current state of addressable TV, roadmap for involvement from national networks, implications for new forms of TV/cross-platform video measurement
- 2:20 - 3:00** ***Addressable TV Case Studies and Panel Discussion:*** short case studies illustrating the improvement in ROI with addressable TV ads, followed by panel discussion moderated by Michael Bologna:
- Xandr:*** Jason Brown, SVP, Head of Ad Sales Partnerships, Xandr Media
DISH: Dave Antonelli, Director, Sling TV, DISH Media
NCC Media: Bob Ivins, Chief Data Officer, NCC Media
- 3:00 - 3:45** ***Agency Perspective: What Do Brands and Agencies Expect?***
Omnicom: Matt Kramer, Managing Director, OMG Advanced TV
Publicis: Helen Katz, SVP Global Contracts & Data Partnerships, Publicis Groupe
Dentsu Aegis: Andy Fisher, Global Head of M1 Advanced TV, Merkle
Moderator: Howard Shimmel, President, Janus Insights and Analysis
- 3:45 - 4:00** ***Break***
- 4:00 - 4:30** ***Update on O.A.R:*** Jodi McAfee, Inscope and Alan Young, Crystal CC on the O.A.R. initiative to deliver DAI into Vizio Smart TVs (and potentially other OEMs via an open standard)
- 4:30 - 5:00** ***Update on Nielsen's DAI Pilot Tests:*** Kelly Abcarian on Nielsen's testing of the recently-acquired Sorenson technology for DAI into LG Smart TVs.