



The State of Demand

What do European media agencies want from TV adtech?



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2. Which TV adtech innovations are most interesting to media agencies?
3. What do media agencies want from dynamic ad insertion and programmatic?



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MTM conducted a programme of industry research to explore European media agency demand for TV adtech

Approach

- The research covered a range of **TV adtech innovations**, as well as focusing specifically on dynamic ad insertion (DAI), and was conducted in November 2014, for distribution at the **Future TV Ads Forum**
- The views expressed within this paper are **solely those of the authors** and do not necessarily represent the views of the interviewees and contributors. All interviews were completed under the **Chatham House Rule** and, as such, have not been attributed in this paper

Qualitative

- Interviews with experts from major media agencies, covering TV, digital, strategy and research



Quantitative

- Online survey distributed to senior executives at major media agencies in the UK, France and Germany
- The survey questions covered:
 - interest and investment in TV adtech
 - current take-up and expected growth of DAI
 - benefits of DAI
 - barriers holding back further investment
- 44 respondents completed the survey

There is strong agency demand for DAI in European markets, as a complement to broadcast, but barriers remain

Key findings

Demand is there for DAI and programmatic

- **Significant demand** for DAI and programmatic from agencies
- Interest in other TV adtech more limited



Experimentation underway

- Majority of agencies **already buying DAI in some form...**
- ... but levels of interest currently run ahead of plans for future investment



Personalised, dynamic creative is a key benefit

- By dynamically altering small aspects of advertising creative, DAI and programmatic can complement the reach of broadcast TV, **increasing effectiveness**



Investment needed to overcome barriers

- Buy-side needs to invest in **measurement** and **evaluation** – working with partners
- Sell-side needs to build out **technology** platforms and commit **inventory**



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Today, DAI and programmatic are the most interesting TV adtech offerings for media agencies

Levels of interest

- Agencies are focused on remaining **open to all forms of innovation** in TV advertising, to ensure that they are able to advise their clients



We've tried and tested lots of different bits of TV adtech. It's all interesting and exciting – for the right client, at the right point in time.

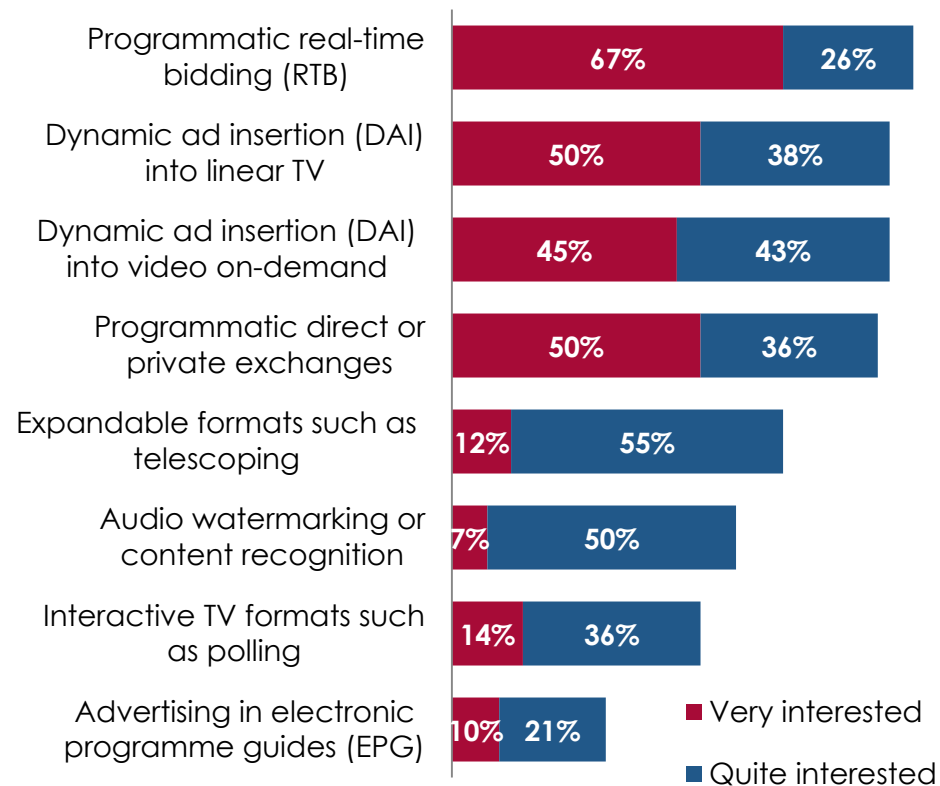
- However, the combination of **programmatic** and **DAI** – addressable video advertising delivered to TVs – appears to be the most appealing area, with over **80%** of agency respondents claiming to be quite or very interested



Today, the most interesting area is the shift of non-linear video consumption to the TV, as an integrated experience, and the opportunities this creates to deliver addressable TV advertising.

- After programmatic and DAI, the most interesting area for agencies is **expandable formats** that allow the viewer to jump out of the advert into other relevant content – referenced as quite interesting or very interesting by **77%** of respondents

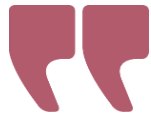
Media agency interest in TV adtech



Over 80% of agency respondents expect to increase their investment in programmatic next year

Expected investment

- Across media agencies, **programmatic and RTB** are the areas most likely to see increased investment in 2015
- However, just over half (**56%**) of agency respondents anticipate investing more in DAI for linear TV next year, compared with this year
- Many industry participants see these developments as linked:



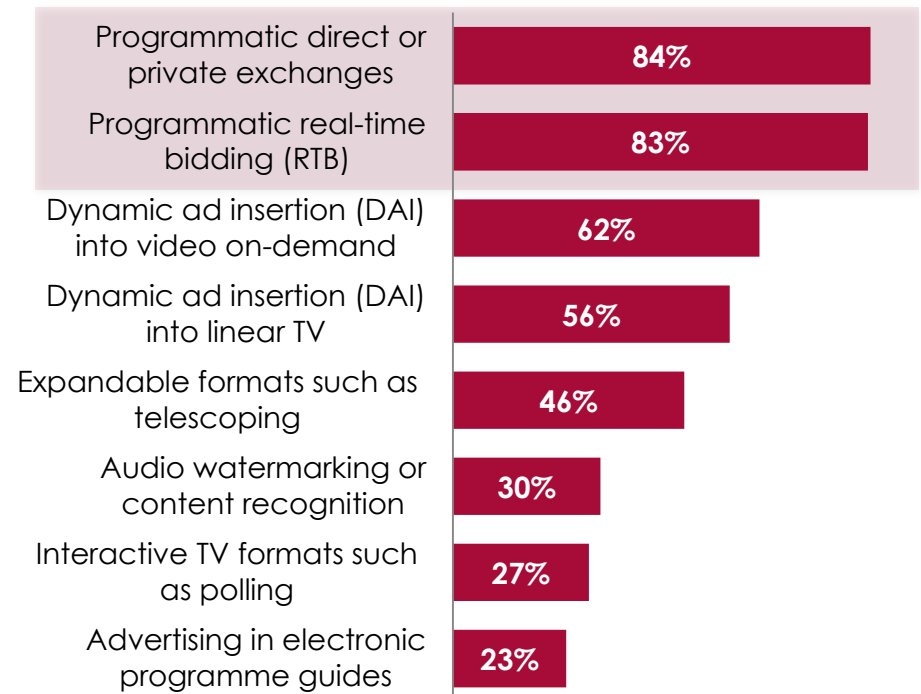
The most exciting area is still DAI coupled with programmatic. As an agency we're shifting money into DAI for non-linear very rapidly.

- In other areas, investment intent is broadly in line with claimed levels of interest – however, many agencies appear **concerned about scalability**:



We're interested in other areas, but we're not sure how scalable investment is – it's hard to spend too much money on second screen formats, when the everything is bespoke and there's not much inventory.

Investing more into this area next year



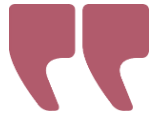
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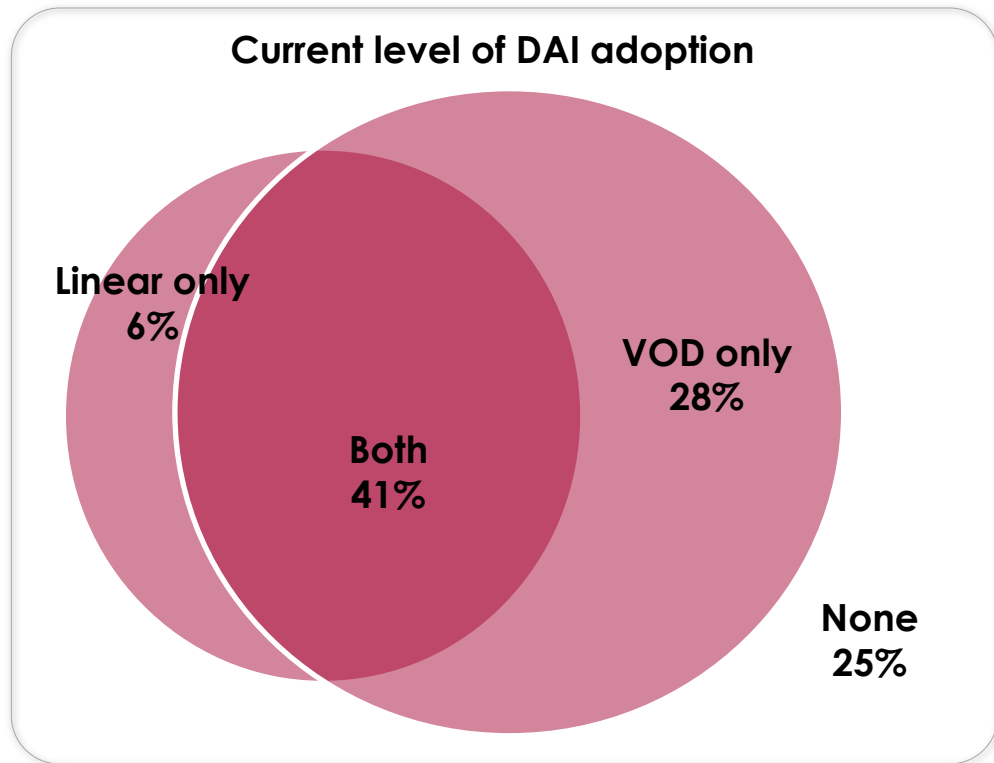
Most agencies claim to have already begun investing in DAI, but still feel that they are in 'test and learn' mode

Current take-up of DAI

- **Three-quarters (75%)** of respondents are **already investing in DAI** offerings and over half are investing in both linear and VOD – only **6%** are only buying linear
- However, many agencies feel that they are still **experimenting and learning**, reflecting the relatively immature development of the European market



We have done campaigns with DAI for linear, but we're still in test and learn – it's small. To be worthwhile you need campaigns where you can show the impact of the targeting and reliably demonstrate ROI, and they can be hard to find.



Agencies are cautiously optimistic about the development of addressable TV advertising in Europe – but views vary widely

Future growth

- On average, agency respondents believe that **18% of the TV advertising market** will shift to DAI by 2017
- However, but **expectations vary widely** – when asked how much of the TV ad market will be bought against DAI products in 2017:
 - some respondents believe that DAI will account for only **2%** of TV ad spend by 2017
 - however, other respondents see much more aggressive investment, claiming that DAI will account for **30%** of spend by 2017
 - on average across the sample, agency respondents expect DAI to account for **18%** of the TV ad market
- Given the current status of deployments, even 2% growth would represent **dramatic growth** in levels of spending – and many senior agency representatives are more cautious about the potential of DAI



Spend is moving very fast in non-linear video. We're also seeing DAI starting linear broadcasting but it's a longer time horizon because the technology, the TV platforms, the ad serving infrastructure – they don't really exist yet.



The next few years will be a bridging period – a combination between linear TV and served advertising. This hybrid model will last for a while.

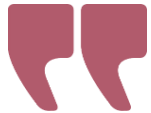


DAI will still only be a small part of the market even in 3-5 years' time. The broad appeal of TV will endure and DAI will only be worth it for a subset of advertisers.

Agencies believe that DAI offers a wide range of potential benefits – but there is no real consensus

Benefits

- DAI – addressable TV advertising – offers a wide **range of potential benefits**, with a marked lack of consensus
- In part, this reflects the **immaturity** of the market in Europe – and a lack of consistent messaging from media owners
- However, the **ability to target creative** to different groups is clearly important



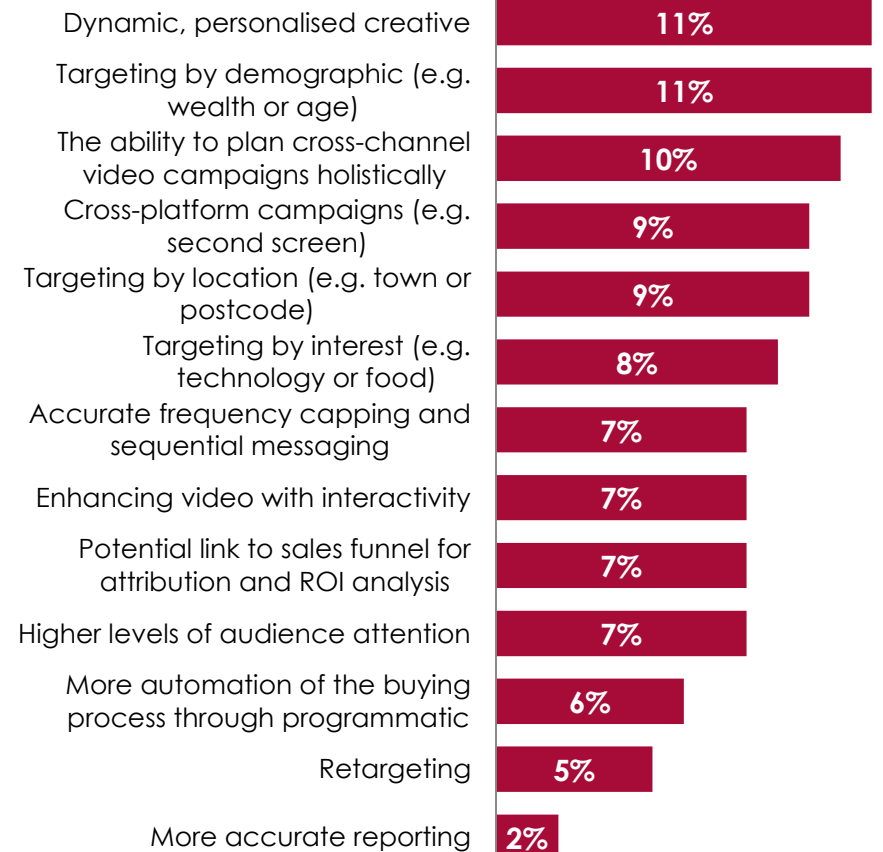
One really exciting area is the ability dynamically to change and serve just a part of an ad, going out in the linear schedule. So, in the future, you might still use TV for reach, but slightly tailor the creative or the end frame based on a range of variables such as demographics.

- Some senior agency executives also believe that the term DAI is unhelpful



Nobody uses the term, day-to-day – or understands it. We're really talking about addressable TV advertising, delivered to TV audiences on the TV. That's what we want – so let's just say it.

% of respondents who see this as a primary benefit



Agencies see personalised creative as key to the way in which DAI and programmatic can complement broadcast

Personalised creative

- Interviewees believe that DAI will provide the opportunity to combine the **targeting of digital** with the **traditional virtues of TV**, such as broad reach and emotional engagement
- **Personalised creative** is critical, to deliver different messaging to different target groups – potentially leading to significant demand for products that allow different creative to be developed and tested dynamically, in the medium term
- The enduring power of TV will be as a broad brush medium ideal for **branding** and building **awareness**, but DAI can make it even more effective



It gives you the right balance between buying large numbers of ratings, generating a broad emotional connection, and also drilling down to make the TV spot work harder by mentioning suppliers in certain areas or adding targeted calls to action.



Video will remain a branding medium. DAI and programmatic is about using new technology in the old world, to make even better AV campaigns.



Advertisers are coming back to TV. They know it works, but we still don't really know why – is it because it's quality content, social, group viewing, lean-back, in the evening, while we relax? What we do believe is that being able to deliver more relevant targeted messages into this environment will super-charge the medium, reaching hundreds of thousands of viewers with really relevant messages.

Agencies also believe that reducing wastage and improving measurement will be important benefits of DAI in the TV market

Wastage and measurement

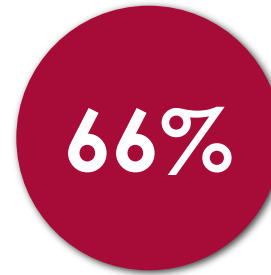
- DAI and programmatic can deliver **increased efficiency** by helping agencies to target ads against an advertiser's chosen audience, **reducing wastage**
- However, some agencies are concerned that this will lead to **increased prices** for some audiences and envisage having striking a balance between targeting and cost: **two-thirds (66%)** of agency executives agree that DAI formats will be more expensive than linear spots
- Interviewees also stressed the future potential benefits of DAI and programmatic in facilitating **holistic planning and measurement** of AV campaigns across all platforms, channels and devices – but believe that there is a long way to go before the industry has access to joined up measurement



Of course, everyone wants it – but it's expensive to deliver a joined up measurement panel, especially in smaller markets. Who's going to pay for it? Who will make more money?



The benefits of DAI and programmatic, together, are about efficiency and better use of data to reduce wastage.



... believe that DAI formats will be more expensive than linear

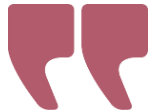


What I want to see is the ability to put AV plans together with cinema, TV, broadcaster VOD, programmatic video and YouTube – all these things on one plan, with the ambition to use all our tools and systems to put one measurement on all of these. Then this can facilitate negative retargeting to build coverage and frequency.

There are still important barriers to adoption – including evidence of ROI, technology and accessing inventory

Barriers

- Agency executives see **technology** as an important barrier holding back take-up of DAI both on the buy- and sell-side, with interviewees noting that platforms in Europe are still **immature** and have not yet fully launched
- Some point to the need to invest in **measurement** and evaluation in order to show **return on investment** for clients



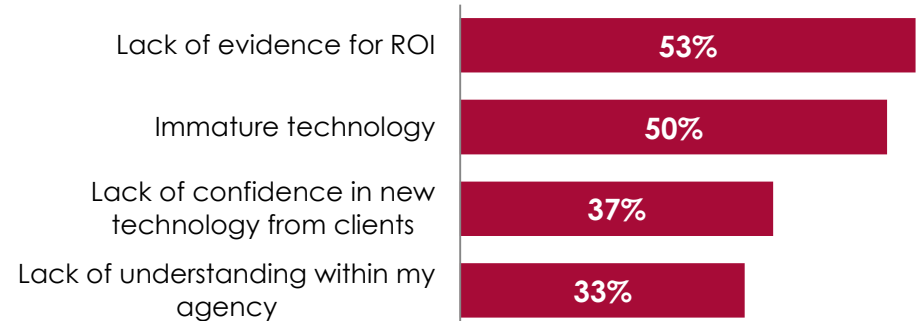
The question is how you measure effectiveness ... When you're trying to shift large budgets into something new, you need robust testing. We need to know that addressable is better than traditional TV, which we've been doing for 40 years, with mature and robust approaches

- Some agencies believe that the key barriers lie on the sell-side, with broadcasters and platforms unwilling to invest in DAI technology and **unwilling to release inventory**

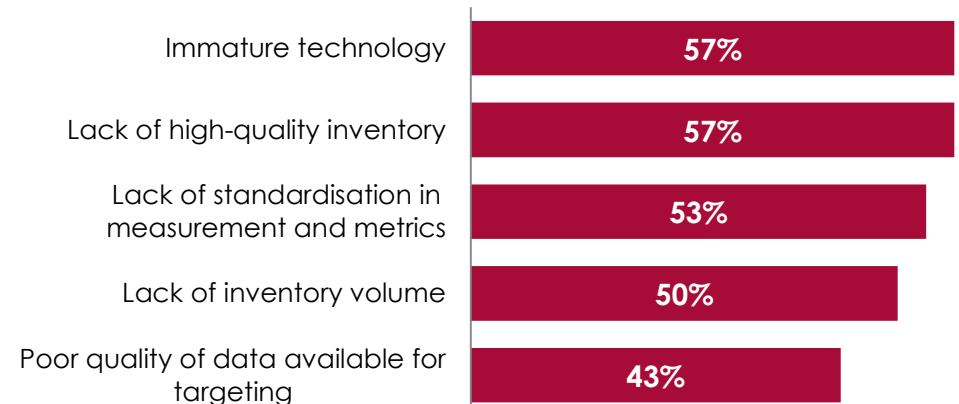


The buy-side is absolutely ready, in linear and non-linear. Demand is not the problem. The problem is the sell-side – the TV platforms aren't ready, there's not enough inventory across Europe, and there's no independent third-party ad-serving

Buy-side barriers



Sell-side barriers



Jon Watts

Director

020 7395 7512

jon.watts@mtmlondon.com

Ed Corn

Manager

020 7395 7510

ed.corn@mtmlondon.com