

Enhancing Linear TV advertising value through an Ad replacement ecosystem

#AddressableTV #Broadcast #LocalAdInsertion



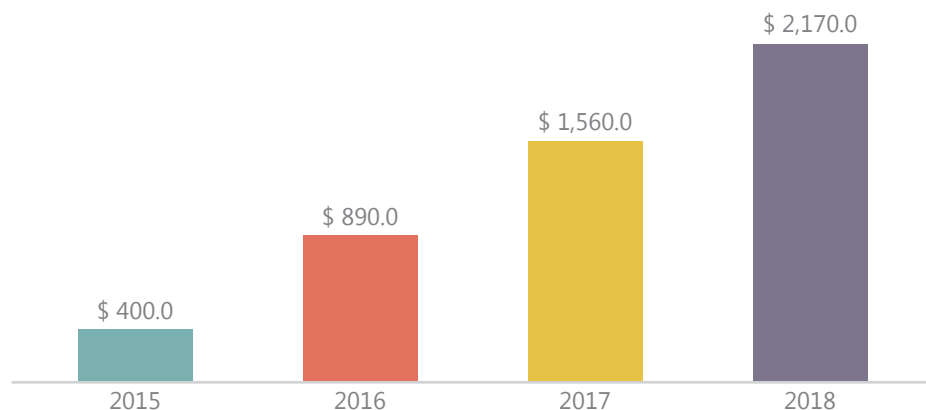
Table of Contents

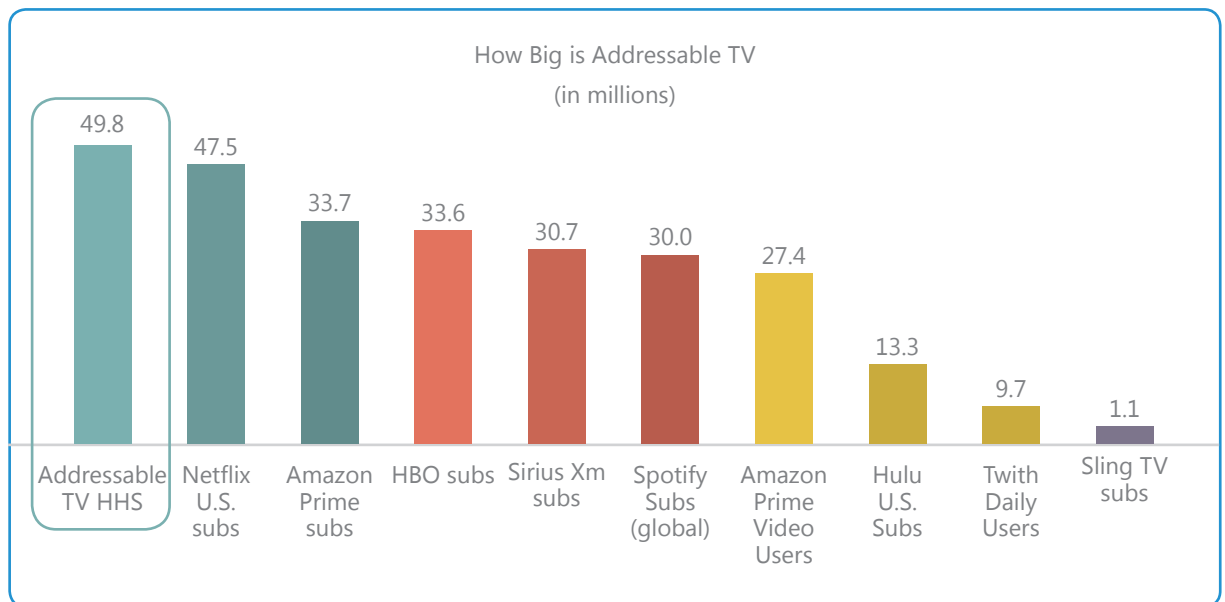
| | |
|----|---|
| 02 | Executive Summary |
| 03 | Introduction |
| 04 | The Addressable Broadcast Equation |
| 07 | The Business View |
| 09 | Glossary |
| 09 | References |

Executive Summary

With an eye on making Linear TV advertisements more attractive for advertisers and consumers alike, the Broadcasting industry has taken to building an Addressable TV Advertising ecosystem. Although this ecosystem is facing teething challenges, it is gaining popularity. Several reports—two of which are the following (source: Video Advertising Bureau Addressability report 2016)—emphatically endorse the growth of Addressable TV Advertising.

U.S. Addressable TV Ad Spending Projections
2015 - 2018 (in millions)





This paper discusses the working of the Addressable TV Advertising ecosystem, with insights into the entities that create the ecosystem, the technology that drives it, and the business strategy that is its guiding force.

The objective of this paper is to give the reader a bird's-eye view of the functional (business view) & technical understanding

of how Addressable TV Advertising works. This paper also attempts to provide the reader some takeaways pertaining to ways of increasing the efficiency and attractiveness of the Addressable TV Advertising space. This white paper will be useful for broadcast networks, distributors, local ad fulfilment partners, and advertisers looking for local advertising methods.

Introduction

The footprint: The traditional Linear TV Advertising ecosystem mainly caters to brands and campaigns that have a mass appeal and cater to a large geographic footprint. Ads are placed in the national feed to be viewed by every household watching that feed. Hence, given the reach of the national feed that promises a large audience, networks demand a premium fee for the ad slots. This setup

“
The traditional linear TV broadcast setup gives little scope to smaller brands with local presence or even larger brands wanting to run a local ad campaign.
 ”

gives little scope to the smaller brands with local presence or even larger brands wanting to run a local ad campaign.

The quality of the footprint: Displaying the right ad to the right audience has always been a challenge for advertisers and broadcasters. The traditional Linear TV Advertising ecosystem places ads based on the demographics of the majority of audiences of a certain ad slot. Hence, though the setup allowed the advertiser to reach a large audience, not all audience members had a need, or were interested in the advertisement shown.

Addressable (Targeted) Advertising: Putting it simply, Addressable Advertising means displaying relevant ads based on individual audience preference (which is also referred to as “one-to-one” marketing by VAB). Presently, this has been attained in the Internet Advertising ecosystem, where an individual is shown ads based on the individual’s preferences and segmentation. The Broadcasting industry hopes to achieve this by placing different ads on different set

top boxes (STBs) based on the demographic information of audiences in a household.

Local ad placement: Essentially, Addressable Advertising is achieved by replacing a specific slot on a national broadcast feed by a local advertisement. This is an important function to achieve Addressable TV Advertising.

//

Viewers don’t find Ads, the Ads find the viewer
Addressable TV Advertising

//

The Addressable Broadcast Equation

Building the equation

Ad slots (Inventory): The networks (channels) participating in local ad insertion provide approximately two minutes of airtime per hour to a satellite operator or cable company for local advertising.

Filling the ad slots: In the traditional Linear TV Advertising system, the advertiser buys ad slots of a specific network, program, or day part. Contrary to this is the Addressable TV Advertising, wherein the advertiser buys only audiences. This implies that if a viewer matches the targeting criteria of a specific campaign, this viewer is displayed an ad from this campaign. This campaign’s ad is displayed irrespective of the network, program, or time the viewer has chosen.

The promise: Advertisers will be billed only when their target audience is served the ad.

To define the audiences, demographics information through first, second, and/or third-party data is used.

The models

Linear ad insertion: Linear ad insertion refers to the process of inserting or replacing ads in the broadcast feed of a participating network. The networks broadcast the same content (programming content) to all viewers

at the same time. However in the network’s ad breaks, some ad slots are replaced by local ads. Ads that can be replaced are called ‘avails’. Ad insertion involves buying, scheduling, and inserting local ads into these avails.

In this white paper, we will explore two models in which the Broadcasting industry is using the Addressable Broadcast equation to fulfill the Addressable TV promise.

Model 1–Linear ad insertion at the Set

Top Box: As the heading suggests, the ad insertion using this method happens at the STB level. This method achieves the true one-to-one marketing. The advantage of this method is that advertisers can target specific households (through the STB) matching their campaign targeting criteria.

For example: If you and your neighbor are watching the same program on the same network at the same time, both of you may be shown the same ad or different ads.

Model 2–Linear ad insertion for the local Designated Market Area (DMA):

In this model, the ad insertion takes place at the DMA level, that is, at the level of the local feed. This model does not target an individual household, but an entire group of households in the same DMA.

For example: You and your neighbor belong to the same DMA and hence receive the same local cable feed. If both of you are watching the same program on the same network at the same time, you will mandatorily see the same local ad. In Model 2, the decision to record one or two impressions (you and your neighbor) will depend on whether both of you fall into the targeting criteria of the ad. Model 2 differs from national advertising in this regard.

Let us first understand some basic concepts of linear ad insertion common to both the models and then proceed to the working of these models.

//

Programmatic TV vs. Addressable TV

Programmatic TV: STB data is used to inform the purchase process of ad slots. Model 1, Model 2, and the traditional broadcasting in their own ways use Programmatic TV.

Addressable TV: This technology enables advertisers to send ads ONLY to those viewers who fit the targeting criteria. This is done by delivering ads to individual STBs. Model 1 uses this method.

//

How does linear ad insertion work?

To understand this, let's look at the following

The business arrangement

- The satellite operator has an agreement with the network provider, who agrees to allot two minutes of airtime per hour to the operator. This deal can take place due to a number of reasons such as providing discounts on the carrier fee or filling unsold inventory.
- Getting ads for these two minutes of airtime now becomes the responsibility of the carrier.

- Usually, the carrier gets into a deal with an ad fulfillment partner to get advertisers to advertise on these slots.
- Usually, the ad fulfillment partner sells these ads to advertisers who require to run local ad campaigns. These can be the local mom and pop stores or a brand running a campaign for a local event.

The data arrangement

- Subscriber information taken during installation of the cable TV
- Subscriber-viewing data coming from the STBs
- Subscriber-viewing data coming from rating agencies
- Third-party data coming from mapping the subscribers digital footprint across devices
- Third-party data coming from mapping the purchase behavior of the subscriber

What happens?

- The network broadcasts its channel feed.
- The satellite operator or cable operator replaces some ad slots on this feed with local ads.

How does it happen?

- The network should mark the exact slots that the satellite operator can replace. This is done by embedding a cue tone (tech name: SCTE-35) into the broadcast feed.
- At their end, the satellite or cable operators have equipment that reads this cue tone, which tells them exactly what part of the national broadcast can be overwritten with a local ad. The cue tone has all the information required for the ad insertion equipment, including the length

of the slot. This helps the ad insertion equipment to select the right length to insert and also to know when exactly to splice in the local ad and when to splice out.

As seen earlier, this ad insertion can happen at the STB level or the DMA level. Both models are explained further.

Model 1—Ad insertion at the STB level

The STB client requests the Ad Delivery Server for possible ads.

The Ad Delivery Server talks to the Ad Server and identifies a list of possible ads.

During lean periods, these ads are received and stored in the STB.

After receiving the cue for local ad insertion, the STB client fetches ads from the STB storage and displays the ad.

As depicted in the preceding figure, the decision of selecting and serving the ad in real time is much closer to the viewer and when the viewer is actually watching television. In this setup, an ad will be served only if the STB is ON. In case a viewer turns on the STB Or tunes into a participating network just after the cue tone, local ad insertion would not happen, and the viewer would continue watching the contents of the national feed.

Model 2—Ad insertion for the local DMA

Unlike Model 1, this model operates in a more controlled environment. The model is similar to the one networks use to fill up ad inventory, but is just scaled down to serving local advertisements rather than national.

In this model, the local ads should be scheduled into the avails in advance. To do this, the Ad Fulfillment agency partner should know the exact schedule of the avails. Planning of advertisements in these avails is done through an ad scheduling software similar to the ones used by the networks.

The Ad Insertion equipment in this model can reside in the premises of the cable operator, satellite operator, or a third party handling the ad insertion operations. But, it will never be in the STB.

The network creates the avail's schedule and shares it with the satellite or cable operator.

The ad fulfillment partner uses this avail's schedule as its ad slot inventory.

The ad scheduling software plans the local ads against the avail's schedule to create an ad insertion schedule.

This schedule is used by the ad insertion equipment to insert ads into the network feed of the DMA.

The Business View

So, the Addressable TV Advertising industry has arrived. The next steps are sustenance and growth. About the Addressable TV Advertising ecosystem, it can be easily deduced that there is one stream of revenue, which is the advertiser. Subscription revenues don't seem to form a part of this ecosystem. Hence, the entire ecosystem is riding on only one factor—**value to the advertiser**.

Some value points:

- **Impression-based delivery:** The advertiser is promised a certain number of **target audiences** that have been served the ad. The traditional Linear TV ad delivery assumes that the target viewer was present and has seen the ad. On the contrary, in Addressable TV Advertising Model 1, the ad is served only if the STB is ON. This provides more transparency and value per dollar for the advertiser because there are less wasted impressions with accurate 'served impressions' data.
- So, what about Model 2? At the outset, the model seems to deliver audiences the same way traditional TV ads do. Because the ad is inserted at the DMA level, it is difficult to gauge whether the target audiences had their STB OFF during the advertisement or they were watching a different network during that time. This can be known only with the traditional TV ratings from a sample audience. However, in spite of these loopholes, Model 2 does benefit a local advertiser by making it possible for the advertiser to get the ad on TV at a lower cost.
- Audience targeting with brand safety can be seen as a huge benefit for big and small brands alike. The reason—they get

the power of programmatic audience targeting with brand safety because the process is much more controlled than online advertising.

The Challenges

Following are some broad challenges in the Addressable TV Advertising ecosystem:

- **Data:** At the end, it all boils down to data. For the success of impression-based delivery to a specific audience, the industry has to heavily rely on data sources. Although data is available, its utilization should now happen at a local level, and cable operators should invest in technology or business partnerships to make it happen. Privacy concerns should be dealt with by ensuring that personal or identifiable information is not shared with advertisers. This becomes a catch-22 situation because the value that the advertiser sees in Addressable TV heavily depends on the categorization of the target audience.
- **Individual targeting:** The lowest contact point for the Linear TV industry happens to be the STB, which is used at the household level and not at an individual level. Hence, targeting viewers can take place utmost up to the household level.
- **Technology and processes:** Players in the Addressable TV Advertising space should onboard newer technologies and processes. This becomes an extensive exercise for players who should also maintain a balance of existing processes and technology. Although reports suggest an optimistic growth in the Addressable TV Advertising space, they also note that the number of advertisers ready to go with it is low. Many are adopting a wait-

and-watch strategy till it gains traction. This puts a question mark on the 'Go-No Go' decision for the providers to invest in the space, causing some existing players to create temporary processes and makeshift technologies. However, these issues have snowballed into a complex web, and the players should look at centralized processes and systems to sail successfully.

- **Measurable Return on Investment (RoI):** Advertisers are attracted to mediums that provide a more transparent RoI measurement to judge the effectiveness of an ad campaign. Model 1 provides more transparency in terms of impressions than Model 2. However, because the advertising is at a household level, it is still a step away from achieving one-to-one marketing.

Ways ahead

Business:

- **Cross-device targeting:** With technological advancements, it is possible to include TV for the purpose of cross-device targeting. Imagine your target audience seeing the same brand on online PC and mobile advertisements and then being retargeted through the TV screen as well.
- **Using the second screen:** The industry should look at options to increase advertiser value by getting more accurate data using second screen solutions. For example, providing interactive apps synced to the television that can double up as a remote control. This would give accurate TV viewer analysis and/or synced interactive ads that appear on the second screen in sync with the TV ad with a buy option. This can give rise to the Cost

per Acquisition (CPA) model, which is currently not popular with Linear TV due to the unavailability of deterministic data.

Technology:

- **Standardization:** Advertisers were hesitant to use Addressable TV advertising until its technologies found some widespread acceptance. The industry has started adopting Enhanced TV Binary Interchange Format (EBIF) to standardize technology used for addressable tv across the industry. This should make it easier for industry players to hop onboard the Addressable TV service offering and instill confidence in the advertisers too.
- **Internal and external optimization (process and technology):** The industry players who want to jump onboard should think about the tech strategy to be adopted. Because the space is still evolving, the players should be capable of adopting technologies that are compatible with the Addressable TV service offering. The players should also ensure that the internal operating efficiency does not plunge due to wayward and patch processes put in play to take on the new service offering. Using bespoke solutions with Agile methodology can yield long-term benefits because the combination provides the much needed flexibility and scalability that is required to take on the changing landscape without compromising the existing operations and efficiency.

Do take a look at a case study of how Cybage helped a leading Ad Fulfillment Partner in the US to smartly adapt and take on the Addressable workflow. [Case study link](#)

Some industry players who are working in the Addressable TV Advertising space:

- Viamedia
- Invidi
- Fios
- Comcast
- Visible World
- Google Fiber
- AT&T
- Cablevision

Glossary

- Designated Market Area (DMA): A market or region where the population can receive the same (or similar) television and radio station offerings and may also include other types of media including newspapers and Internet content.

References

- <http://next-generation-communications.tmcnet.com/topics/service-provider/articles/42283-emerging-iptv-advertising-opportunities.htm#top>
- <http://www.adweek.com/tv-video/study-projects-addressable-tv-advertising-explode-popularity-2018-174674/>
- Systems And Method To Deliver Addressable Advertisements - Kevin Flanagan, Timothy Olds, Jose Gonzalez
- Say Yes to Addressability – A guide to Precise TV Targeting – Video Advertising Bureau
- <http://next-generation-communications.tmcnet.com/topics/service-provider/articles/42283-emerging-iptv-advertising-opportunities.htm#top>
- <http://wywy.com/market-view/programmatic-tv/>
- <https://viamediatv.com/>
- <http://edictive.com/blog/the-challenges-of-addressable-advertising/>



Cybage Software Pvt. Ltd.

[An ISO 27001 Company]

HQ: Cybage Towers, Survey No 13A/ 1+2+3/1, Vadgaon Sheri, Pune 411014

Tel: 91 20 6604 4700 | Fax: 91 20 6604 1701

India | USA | Canada | UK | The Netherlands | Germany | Ireland | Japan |

Australia | Singapore

www.cybage.com