TURNING TV ADVERTISING BACK ON
TV ADVERTISING REMAINS AN EXTREMELY VALUABLE COMMODITY.

It’s a significant part of TV companies’ revenue mix (predicted to be more than one-third by 2022).¹ And changes that can deliver relatively small percentage uplifts on the industry’s multi-billion-dollar revenues will have a decisive impact on the bottom line. **But to reignite growth and turn advertising back on, TV companies need to harness the power of new technologies and make significant changes to their operating models and organization.**
In 2017, internet advertising revenue surpassed TV for the first time. And it’s a trend that looks set to continue. Yet TV companies have – with some exceptions – been slow to respond to the challenges of meeting advertisers’ expectations in the digital age. Those have been reset by the digital advertising platforms with their ability to target and personalize ad campaigns to individual consumers. What’s more, new ways to buy digital advertising inventory – e.g. programmatically – have set new benchmarks for efficiency. With many TV companies unable to respond with what advertisers expect in terms of data-driven approaches and tools, the Linear TV advertising market has suffered. Unless they take action, the majority of TV companies will face the continued migration of advertisers’ dollars from linear TV to digital channels. But with the right operational, organizational and technology strategy, these TV companies can do more than simply compete with digital. They can drive significant new revenue from linear advertising.

So how can TV companies turn linear advertising back on to growth? By harnessing new technologies that enables linear TV advertising to be bought and sold in much the same way as digital.
THE BURDEN OF LEGACY

A good portion of TV companies’ legacy operating models have been slow to adapt to a fast-changing market.

Essentially, most TV companies’ sales operations have taken a very hands-on, personal approach to selling their advertising inventory with a focus on securing the big deal. While that works well in certain contexts – e.g. prime slots for must-see events such as the NFL Super Bowl, the FIFA World Cup Final and so on, the majority of inventory does not meet that criterion. Yet it’s largely still sold in the same way. But that’s very different to the on-demand, highly flexible and accessible digital advertising space which enables anyone to buy the right slots, in the right place and to the right audience. Those are now simply the expectations that advertisers bring.

In contrast, the impression model that the majority of TV companies use is antiquated compared with their digital competitors. Most TV companies have therefore struggled to accurately predict what kind of inventory is going to be available, when. Their systems have historically been very poor at predicting what their inventory is going to look like and aligning that to sales in order to maximize revenue and sell future advertising slots efficiently. And they mostly lack much in the way of programmatic sales capability.

Digital players have been able to serve audiences with a much more granular approach that matches advertisers’ target consumers. For the most part, TV ad sales organizations have traditionally focused on channels and basic demographic categories. Many have relied on services such as Nielsen (US) and BARB (UK) that have only been able to provide audience size with some description of the audience. Whereas digital platforms can sell space targeting people who want to buy a car – or even a particular type or brand of car – that granularity of insight has, to now, not been available from the bulk of TV companies.

In addition, the majority of TV companies have largely lacked the ability to manage their viewer, advertising and third-party data holistically. They can’t bring different datasets together – internal and external – to align inventory with the really targeted consumer profiles that digital advertisers can serve up at the touch of a button.
THE LINEAR TV OPPORTUNITY

What has been a barrier to TV companies developing more advanced advertising – technology – is now becoming an enabler.

New set top box (STB) and smart TV technologies are creating the possibilities of understanding audiences better and serving more interactive and targeted ads to specific consumers or audiences who can be defined by much more than broad demographic categories.

New broadcast standards are also expanding what’s possible for TV advertising. ATSC 3.0 is one. Advanced advertising is a key component of this new standard, with ATSC 3.0 enabling dynamic ad insertion into live feeds and video-on-demand. And because with ATSC 3.0 data can flow in two directions, TV companies will be able to capture information about consumers’ real viewing habits at an individual level, greatly enhancing the ability to target ads.

Digital advertising has forced TV companies onto the back foot. But technology developments could help them to spring out of the corner and fight back. What do they need to do to take advantage?
GETTING ON THE FRONT FOOT

We see three key areas where TV companies need to take action to capitalize on the potential of new technologies to drive new advertising growth.

1. **Reshaping the culture and organization**
   TV companies will need to effect a significant change in their organizations in order to take advantage of the new possibilities afforded by technology. That means skills, talent and operating model. But above all, it requires them to become data-driven businesses. They’ll need to bake data and analytics into the sales process end-to-end, from forecasting to proposals and from pricing to execution.

2. **Making life easier for advertisers**
   To create new targeting capabilities, TV companies must be able to share common definitions of what those targets are and get on the same page as advertisers seeking to reach certain types of consumers. By pooling audience segment and viewing data, and perhaps even inventory, TV companies can advance their linear advertising capabilities.

One play in this space, OpenAP\(^2\), was founded by a consortium of television publishers: Fox, Turner, and Viacom, with NBCUniversal\(^2\) and Univision\(^4\) recently joining the platform. OpenAP is the TV industry’s inaugural platform that aims to create an industry standard. As the television industry’s first open platform for cross-publisher audience targeting and independent posting, OpenAP is data agnostic, with relevant data sets used in audience buying. OpenAP supports advanced data-driven marketing, while at the same time maintains the integrity and transparency of traditional buying and measurement.
European broadcasters are also experimenting with consortia development. The European Broadcaster Exchange (EBX)\(^5\) was created by ProSieben1 (Germany) Channel 4 (UK) and Mediaset (Italy) as a hub for planning pan-European campaigns. It enables linear TV ad sellers to compete more effectively with global digital ad platforms, by providing programmatic capabilities that can make use of advertising inventories across other markets via on-demand platforms.

TV companies have been resistant to the idea of placing inventory into a programmatic database because they fear losing control. Looking at the experience of digital publishers it’s easy to see why. However, initiatives like OpenAP are making the market more efficient in terms of sharing common definitions, but without risking the wholesale commodification of TV advertising.

### Transforming ad operations

Personalized and relevant ads served at just the right time to the right people have been the preserve of the digital players. But that too is changing as TV advertising capabilities evolve. In the UK, Sky AdSmart\(^6\) gives advertisers the ability to dynamically insert live ads and ITV has entered into a deal with Sorenson Media\(^7\) to enable linear broadcast addressable advertising. Sorenson Media’s software enables the existing advertising inside the broadcast stream to be replaced with more relevant ads based on demographics, lifestyle and interests. The ads can also be enhanced with interactive content. The technology works on selected smart TVs and should become available on a range of brands in due course.

### Multiplatform TV advertising

For most advertisers, it’s not a question of choosing either TV or digital. They want both. Accenture and Disney|ABC set out to identify the key drivers of advertising ROI and found that TV advertising is a critical component of advertising campaigns and generates significant gains in ROI when compared with standalone digital.\(^8\) TV has a ‘halo’ effect on digital as part of an integrated campaign, with multiplatform TV increasing overall ROI by as much as 10 percent. TV companies should lean on this added value to position themselves as a critical component of multiplatform advertising campaigns and develop capabilities and partnerships that enable them to drive CPM values and revenue growth.
Optimize inventory

Today, the majority of linear TV advertising audience forecasting is carried out manually by a few highly-skilled resources. This creates challenges in a number of areas. Not only is the accuracy limited, and therefore unable to support an optimal pricing strategy, but it’s also costly and time-consuming. And that inhibits the flexibility and responsiveness that are needed to react to market challenges as they arise.

In contrast, using machine learning on a big-data platform that combines inventory data with other sources can create significant improvements in revenue. In one example, Accenture worked with French TV company M6 to implement a big-data platform that provided machine learning, predictive modelling and data visualization. This enables M6 to segment audiences based on online behavior enriched by anonymized offline data and drive enhanced forecasting leading to greater advertising yield.
A study by Accenture, commissioned by NBCUniversal, analyzed Accenture’s proprietary database of $12 billion in anonymized marketing spend over a three-year period, and across more than 20 leading national brands representing six industry categories.

This analysis reveals that TV continues to be highly effective in brand building, generating unique brand-building ROI and engendering a multiplier effect when paired with other channels in the same publisher ecosystem.
CONCLUSION

By harnessing the possibilities of digital technologies, many TV companies can now not only claw back some of the growth that they have lost to the digital platforms but also drive wholly new revenues from digital capabilities. But while technology is an enabler, the changes required to take advantage are organization-wide. New operating models, organizational reinvention and digitally astute talent are all essential. Those TV companies that get this right will see the rewards from combining the unique power of linear TV advertising with the agility and targeting of digital. It’s time to turn TV advertising back on.
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