



ADVANCED TELEVISION:

How Marrying Data Can Improve Overall Targeting

In the early 1960s, ABC's founder, Leonard Goldenson realized that his new show, *American Bandstand* was most popular among younger audiences. He wanted to capitalize on reaching that core group - and from there the model of age and gender targeting was born. For the past sixty years, the \$70+ billion U.S. TV advertising industry has been driven by age and gender-based buying. However, with the boom of digital advertising in the 2000s, as well as increased audience fragmentation and declining ratings, advertisers have started to demand more. As the industry ecosystem changes, agencies and advertisers are seeking alternate ways to reach key audience segments. Advanced TV was established to fulfill this need.

Advanced TV is an emerging medium that provides audience targeting solutions for linear TV advertisers.

Moving beyond traditional age and gender targeting, Advanced TV provides answers to questions that have plagued television advertisers for years: How can we better speak to our core audience segments? How can TV become more accountable? How can we limit waste and improve ROI? The media industry must be better prepared to answer these questions and pivot our current strategies to deliver results that meet our clients' needs.

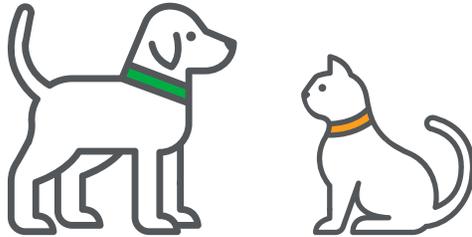
Audience-based buying may become the norm for television advertisers, but this evolution will not happen overnight. Limited scale, restricted offerings, and a shift away from network and program-based buying do not lend themselves to rapid progression. Although Advanced TV is the 'shiny new car' that most advertisers and agencies are tempted to hop in and drive, don't expect it to take off at high speeds. But now is the time to start the conversation to evaluate whether this tool is right for a client's business.

INTRODUCTION

ADVANCED TV DEFINED

Advanced TV is a term used interchangeably in the ad world to describe various TV targeting offerings and services, and as such it can be difficult to define exactly what it encompasses or how it works. There is a myriad of products in the market, which can be complicated to navigate.

Harmelin classifies Advanced TV in two primary categories – Addressable and Data-Optimized.



Addressable TV advertising provides marketers the ability to deliver different commercials to individual households, based on specific audience targeting criteria. For example, Linda is a 25-year-old female who recently adopted a puppy. Mike is her 50-year-old male neighbor who is a cat owner. They are both watching the same TV program one night, but Addressable TV allows Linda to be served an ad for dog food, while Mike is served a commercial highlighting a new line of cat treats.

Offerings vary by provider, ranging from 1-to-1 household targeting (where you only buy certain homes) to “copy-based” addressable (where you still buy a full footprint but traffic different ads by home), and from linear and video-on-demand (VOD) to over-the-top (OTT) viewing. The goal of addressable advertising is to find a specific TV audience and hit them with messaging that suits their defined interests.

Data Optimization breaks the reliance on age and gender targets by marrying consumer behavior information with TV viewing data to create custom audience segments and better personalize advertising. Although not a real-time buying tool, the data is used to help facilitate smarter buying decisions. For example, a travel advertiser might historically target Women 35-64, leading to a buy focused on the top 7-8 cable networks, with selected dayparts and programs based on viewing habits of that demo. However, by using data optimization to refine the target to women with a \$100K+ household income who have traveled internationally in the past year, we may find that the audience would index better against a smaller set of networks, programs and dayparts. By narrowing in to reach this data-defined target audience, the result is more focused delivery and less audience duplication. This offering can be executed nationally or locally and allows media sellers the ability to bundle networks for cross-portfolio solutions. A subset of data-optimized buying is **Programmatic TV**. Programmatic buying uses technology and automation to create efficiencies. Unlike its digital counterpart, it does not yet offer real-time, 1-to-1 impression bidding, making it a tactical tool used only for data-optimized linear TV at this time.

Both addressable and data-optimized strategies can be used to move beyond traditional linear delivery models to reach a specific audience, cutting fat and minimizing waste. Utilizing these approaches can also open up new opportunities to expand reach through exposure to new networks and programming. As a result, video buys become more targeted and campaign KPIs improve, ultimately boosting ROI.



Advanced TV is the cool, new movement in media, and vendor partners are pushing it heavily for the 2019-20 TV season. According to many top media executives, it has arrived, and all advertisers should be riding the wave. Linda Yaccarino, Chairman of Ad Sales and Client Partnerships at NBCU, has made it a heightened focus during talks with marketers. She stated “I think we’re finally there. The capability is there and there’s enough companies there for you to be able to get the immediacy of scale with the addressable functionality the advertisers have become used to on the social platform.” Laura Molen, President of Ad Sales at NBCUniversal, expanded on this ideology saying, “The issue facing advertisers this Upfront season is the need to reach viewers everywhere, from local with addressable to global scale. For a brand to succeed today, they must figure out how to make the world both a smaller and bigger place.”

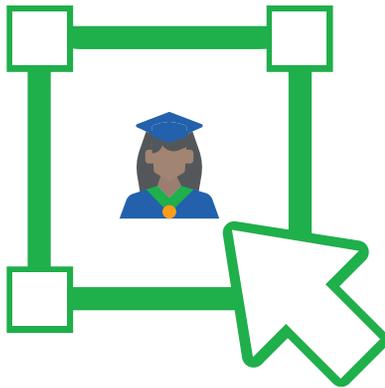
**While Advanced TV is still
a work in progress on
the local level, it is 
taking off at high speeds
on a national level.**

Audience-based buying, specifically Addressable TV has seen significant growth since 2016, and is projected to increase by 33% YOY in 2020. Currently Addressable TV buying represents just under 4% of all U.S. TV ad spending, and although a relatively small slice of a \$70 billion pie, it’s still a sizeable figure.

HERE AND NOW

CONSIDER PLAN OBJECTIVES

Advanced TV should be considered when recommending a television strategy, but it is important to think about the advertiser's product and plan objectives first. Several factors contribute to why agencies and advertisers should closely examine if there is a need before diving into Advanced TV, including scale restrictions, limited offerings, and content concerns.



1. Scale Restrictions: When evaluating the Advanced TV ecosystem, the driver is the need for networks and MVPDs (multichannel video programming distributors – a.k.a. cable & satellite services) to compete with digital ad vendors to create more granular targeting. When narrowing targets to hit specific audience segments, scale is automatically minimized, and if taken too far this can cause over-targeting. For example, P&G cut their Facebook ad spend in their fiscal year 2017, seeing that specific audience targeting had limited effectiveness. Marc Pritchard, P&G’s CMO, said they realized the company took the strategy too far – “We targeted too much, and we went too narrow, and now we’re looking at ‘What is the best way to get the most reach but also the right precision?’” For most advertisers, specifically big brands, Advanced TV would not replace, but would enhance existing TV efforts as an overlay to existing broader executions.

When assessing the scale of the addressable opportunity, we can currently ‘address’ nearly 60% of U.S. households (~70MM) – more than some of the SVOD (subscription video on demand) providers including Netflix (58.5MM) and Hulu (26.8MM). But in order to do so, agencies would have to piece together a buy including all seven MVPD providers for full national coverage. Working with aggregators is an alternative to combat puzzle-like buying, but no one currently covers all providers, so there would still be a ‘piecemeal’ buying approach for full addressable coverage.

2. Limited Offerings: Evaluating the Advanced TV landscape from both national and local perspectives is key, as offerings vary in scope and capabilities. On the national front, some of the larger conglomerates have been pushing their Advanced TV opportunities, but there is no standard for how buys are being guaranteed or for the platforms used to build custom targets. To combat this limitation, a consortium of TV publishers formed Open AP, the industry's first open platform, using cross-platform audience targeting and independent 3rd party posting. Although Open AP is a promising solution, not all network groups have joined the party.



Local opportunities are centralized around addressable TV via cable and satellite providers. The capabilities seen at the national level are trickling down to the local level, but the definition of 'addressable' begins to change. Local addressable tends to be copy-based and zoned-based. One local provider has tested 1-to-1 household targeting in the New York DMA but they are not ready to roll this out to other markets at this time. While new options continue to emerge, the following general options are currently available:

- Copy-based offerings, with a 1-to-household component, do not grant the benefits of true addressable. There is waste, as the full footprint must be purchased, and more evergreen creative must run in homes outside of the target. For example, if an advertiser wanted to reach moms looking to purchase an SUV within the next three months in the Los Angeles DMA, they would have to provide copy for that specific target group, as well as generic copy that would be served to the remainder of the DMA outside of the target.



- Zoned addressable lessens scale by only targeting specific zones within cable systems that index the highest for a specified segment. Ads continue to reach every household within the zone.

Both of these offerings are based on full-footprint buys within the purchased area.

3. Network and Program Content Restrictions: Although there are benefits to precision targeting, there are advertisers who are hesitant to take the leap due to network and/or programming restrictions. Taking advantage of true data optimized or addressable campaigns requires expanding the network and program consideration set, and this may not be suitable for clients with stricter buy guidelines or restrictive creative. Although this can be a challenge, following the consumer where they are is key, and should be considered when evaluating opportunities.

Despite the challenges outlined in this section, the industry is moving towards audience-based buying. If offerings become more streamlined and data sets more reliable, some advertisers may be more willing to hop on board.

The overarching goal is to find key consumer segments where they watch, and ultimately deliver on client KPIs. However, without standardization in the industry, it is difficult to do so.

CONCLUSION

New shifts in the industry continue to emerge, causing advertisers and agencies to look beyond age and gender segmentation, and seek ways to refine audience targeting. As the market evolves, so should our way of planning and buying.

Though still in the early stages, Advanced TV offers a solution for advertisers to narrow in on custom targets, which will minimize waste, improve ROI and ultimately deliver on client KPIs. Despite the challenges, we advise considering Advanced TV in a strategic fashion as an overlay to more traditional executions to see how business outcomes are impacted. There are various measurement solutions available beyond traditional metrics to determine the effect of Advanced TV on a campaign, such as verified foot traffic, online and offline conversions, brand lift, etc. Advertisers continue to demand more accountability for their investments, and we believe that Advanced TV can be a forward-thinking and strategic enhancement to many media campaigns, positively driving business results.



Harmelin Media specializes in strategic media solutions, and has more than 37 years of experience helping clients navigate a rapidly changing media landscape across digital, traditional and lifestyle forms. The firm has grown with a diverse client roster including many Fortune 500 companies across a diverse array of industries, and is now one of the largest independent media service firms in the United States.

Harmelin's expertise is in managing the massive data sets that our clients and campaigns generate to develop strategic, channel-agnostic recommendations that generate business results and positive return on investment. We accomplish this while maintaining a long-term business focus, providing superior customer service and operating with 100% transparency in our operations. Our approach has resulted in unprecedented retention rates with both employees and clients.

Harmelin's current media billings exceed \$800 million, across all digital and traditional channels on a local, national and international basis. We are a Google Premier Partner, Facebook Marketing Preferred Partner and proud member of the ANA.



For more information, please contact info@harmelin.com or visit www.harmelin.com.