The Happy Days Are Over

but you can watch them on your streaming device.

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The television series Happy Days successfully ran from 1974 to 1984. If you were in the marketing or media space then, things were just that: happy days. The fairly simplistic, traditional world of TV, out-of-home, radio, and print has since morphed to include a more complex digital world of programmatic, Google, Facebook, Twitter, and Instagram. Social influencers have emerged, and now we have “cord cutters” who prefer to stream video media. Media channels are blurred, the choices are 20 times what they were, and technology is 200 times harder to keep up with, much less truly understand.

The emergence of online streaming services, such as Hulu and Netflix, has dramatically altered the media habits of Americans, especially young adults. With approximately 60% of adults from 18 – 29 reporting that they primarily watch TV through streaming services on the internet,[1] advertisers have more choices now than ever before when it comes to reaching core consumers with long-form video content.

“Cord cutters,” as they have affectionately been dubbed, are TV viewers frustrated over cable services and costs. Combined with the increasing number of streaming service options and the technological advances in consumer electronics, such as Smart TVs and Roku, more and more households are cutting the cord on traditional cable media in favor of the ease and personalization of content streaming.

Since 2010, the number of cord cutters in the United States has increased by 48%.[2] In 2019 alone, nearly 21.9 million households are expected to have given up traditional pay TV services, according to eMarketer. This number is projected to climb steadily over the next few years, reaching nearly 35 million by 2023.[3] We are living in a time of on-demand, anytime, anywhere video content consumption. As content consumption changes, so must the advertising industry’s response. The next generation of streaming video is here, and advertisers must adjust to this shift in consumer behavior or get left behind.

DE-RISK VS. STRATEGIZE

Most “expert” media articles today focus primarily on how to navigate all these channels and choices. While no respectable

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agency would recommend investing in only one media channel or partner, there are plenty who advise brands to invest in far more channels than they need to. This type of approach can do more harm than good.

Most brands' investment levels don't allow for such a widespread media approach. Advertisers must understand the different channels in their current state and be able to make strategic recommendations to reach the right kind of consumers and generate the greatest return.

Our recommendation to clients is pretty simple: "all of the above" is not a media strategy; it's a hedge to de-risk. De-risking is not a bad strategy for an investment portfolio, but the goal of de-risking is, simply, not to lose. At the end of the day, no successful business has a flat or negative growth plan. Too much de-risked media is being bought today for three irrelevant reasons: 1) so senior management will inevitably see it, 2) because the media agency doesn't understand the channels or technology well enough to propose more strategic solutions, or 3) because the media agency doesn't truly understand the business problem a company needs to solve. Be wary if your agency's watered-down recommendation is de-risking their risk to you.

When it comes to navigating content delivery in this changing media landscape, the advertising industry has embraced over-the-top (OTT) and connected TV (CTV) advertising opportunities to reach its core consumers. Understanding the distinction between OTT and CTV is critical to developing a deliberate, strategic approach when placing media.

THE TV KILLER

OTT advertising refers to television programming delivered over the open internet, regardless of the device on which it is viewed. This includes any content streamed on a mobile device, tablet, laptop, or desktop computer; these ads tend to be displayed full-screen and are usually not skippable.

Combining the best of digital and traditional TV characteristics, OTT impressions are delivered in a TV-like environment with higher engagement rates, spurred by digital capabilities like advanced targeting. Good news for advertisers, though: research indicates that consumers are comfortable with the value exchange between advertising and on-demand content. In fact, 70% of respondents said they would approve of a lower-cost tier for Netflix if it were ad-supported.[4] Consumers are even willing to provide personal data to allow for more personalized or relevant ad messaging.

This level of personalization is a far cry from the simplistic advertising model of the *Happy Days* era. Since OTT viewers actively select the show they want to watch, they are more invested in the content and, therefore, not as likely to channel surf.

THE GROWTH OF CTV

In the OTT universe, CTV is king. CTV is that portion of the OTT universe that is viewed on an actual television set, usually through a streaming device, such as Roku or via a smart TV. The second quarter *2019 Video Benchmark Report* from Extreme Reach found that, for the first time ever, CTV accounted for half of all video impressions. Additionally, CTV drove the bulk of premium video ad view growth at a rate of 31%

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In the over-the-top universe, connected TV is king.

compared to last year, and it now represents 50% of the total market. This is a direct result of viewers continually shifting to connected TVs in their living rooms, where more and more online video is being consumed.

One key factor in CTV's ad growth is its ability to offer brand safety and fraud avoidance at a time when the value of those promises has never been more significant. CTV impressions are almost exclusively served to premium publishers who sell CTV inventory directly to agencies and advertisers. Advertisers are also drawn to CTV's viewing metrics, delivering an average completion rate of 95%.

WHEN STREAMING BECOMES MAINSTREAM

There is no doubt that the growth of CTV and its non-skippable ad inventory is driving a shift to longer ads. Already gone are the days when advertising revolved around short, 6-second video ads on mobile as it did in early 2018. In fact, the second quarter of 2019 reflects a near opposite paradigm. Mobile video ads are at their lowest since the first quarter of 2017, and 6-second impressions are negligible. On the other hand, 30-second ads have displaced 15-second spots as the most common ad length, accounting for 64% of all ads in the first quarter of 2019.

We are not just tracking a new digital marketing trend. We are witnessing a major turning point in the advertising landscape. OTT ad revenue grew 73% between 2017 and 2018 and is projected to spike an additional 25% this year. OTT has undoubtedly become the future of broadcast content.

With CTV's growth accelerating alongside consumers' shifting media consumption preferences, Extreme Reach estimates that CTV ad revenue will reach $129.3 billion in 2023—nearly double the revenue of 2018.[5] Where the audience goes, the advertising investments follow. Smart marketers will leverage OTT's ability to combine the influence of TV with the precision of digital to create the largest impact.

As you're targeting cord cutters in the future, remember that it's becoming more commonplace for a brand's media plan to get overextended. Don't confuse reach with dilution. We offer these three key pieces of tangible advice for marketers. First, ask harder questions (and expect answers) to discover more distinct and purposeful media lanes. Second, think through the role and KPIs of each channel to ensure that the media lanes are utilized properly. And most importantly, fund the channels appropriately. Each channel needs enough data to optimize against. With more choices come more opportunities. However, opportunity should never come at the expense of what will have the largest impact and ROI. Consider taking a more deliberate, strategic approach and, we promise, happier days are ahead. ■

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