WHITEPAPER

WHY YOUR STREAMING TV STRATEGY MIGHT BE FAILING, AND HOW TO FIX IT

marketing architects

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BACKGROUND

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The State of Streaming TV

39% of total TV viewing time now takes place on streaming TV. And that number is only growing.

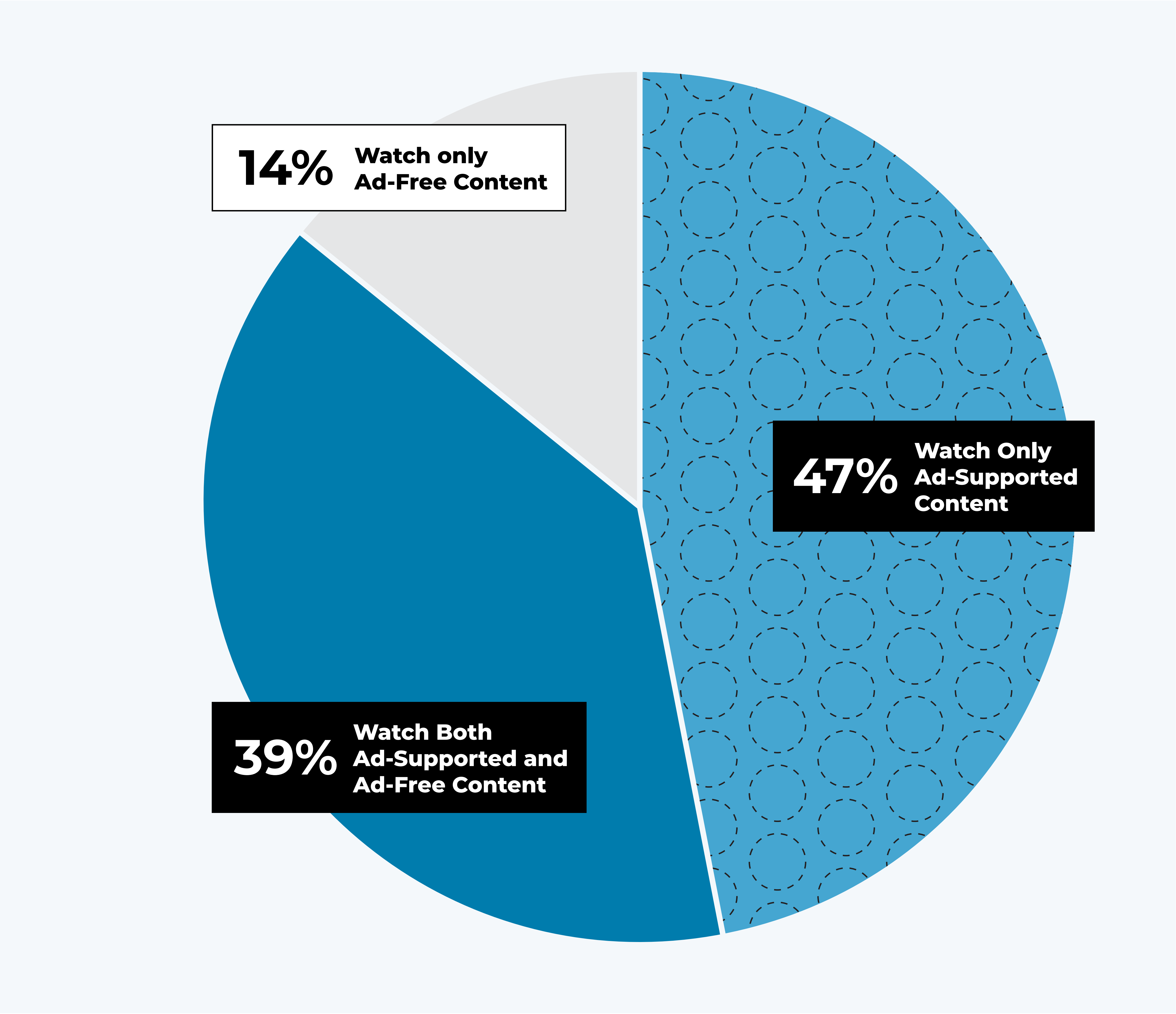
Each year, streaming claims a larger portion of TV viewership. 4 in 5 US households have a video subscription service. Over half have a smart TV they use regularly.

And it's not just young, tech-savvy audiences that are leaning into streaming. While viewership does skew younger than traditional TV, all age brackets have embraced the convenience and control streaming offers to some extent.

> "Each year, streaming **claims a larger portion of TV viewership**."

Most streaming viewers watch ads

Ad viewership in streaming households



Magnite

It's clear streaming is the future of television. Specifically, it's ad-supported streaming that's taking off. While part of streaming's initial appeal was the ability to sidestep ads, many consumers are now opting into ad-supported options to reduce subscription fees. In fact, 86% of streaming viewers watch some ad-supported content.

This trend is especially clear when looking at the growth of Free Ad-Supported TV (FAST), which will reach over 100 million viewers this year, and has more than tripled since 2018.

FASTs like The Roku Channel, Tubi, Pluto TV, and Amazon's FreeVee claim a growing portion of total time spent watching TV—they're now real competitors for subscription-only platforms. In the first half of 2023 alone, nearly 1 in 5 US consumers replaced a paid subscription service with a FAST, opting to watch ads in exchange for free content. In response, SVOD platforms Netflix and Disney+ both released ad-supported tiers last year, creating even more options for advertisers.

The growing focus on ad-supported streaming, from consumers and publishers, has meant new advertiser opportunities, and brands have been quick to test the channel. Promised the accountability of digital advertising combined with the prestige and visibility of TV advertising, marketers have eagerly added streaming into their media mix.

At the start of 2023, 84% of global marketers said they would include streaming in their media plans. By the end of the year, CTV ad spend is projected to reach $25 billion (a 21% increase over last year). Just 4 years ago, CTV ad spend was a mere $7 billion.

Streaming's rapid growth has drawn considerable media attention, making the topic nearly ubiquitous within the ad industry. It's the subject of countless conferences, news articles, and even white papers like this one. It's buzz-worthy and exciting, the final step toward accountable, performance-first TV campaigns.

But if that's true, why are performance marketers failing on the channel?

WHY YOUR STREAMING TV STRATEGY MIGHT BE FAILING, AND HOW TO FIX IT

STREAMING'S EFFECTIVENESS DILEMMA

Streaming TV's potential is evident, but for anyone that's tested the channel, so are its challenges. Especially for performance marketers looking to drive a measurable sales impact with TV.

DILEMMA #1

The Hidden Costs of Streaming

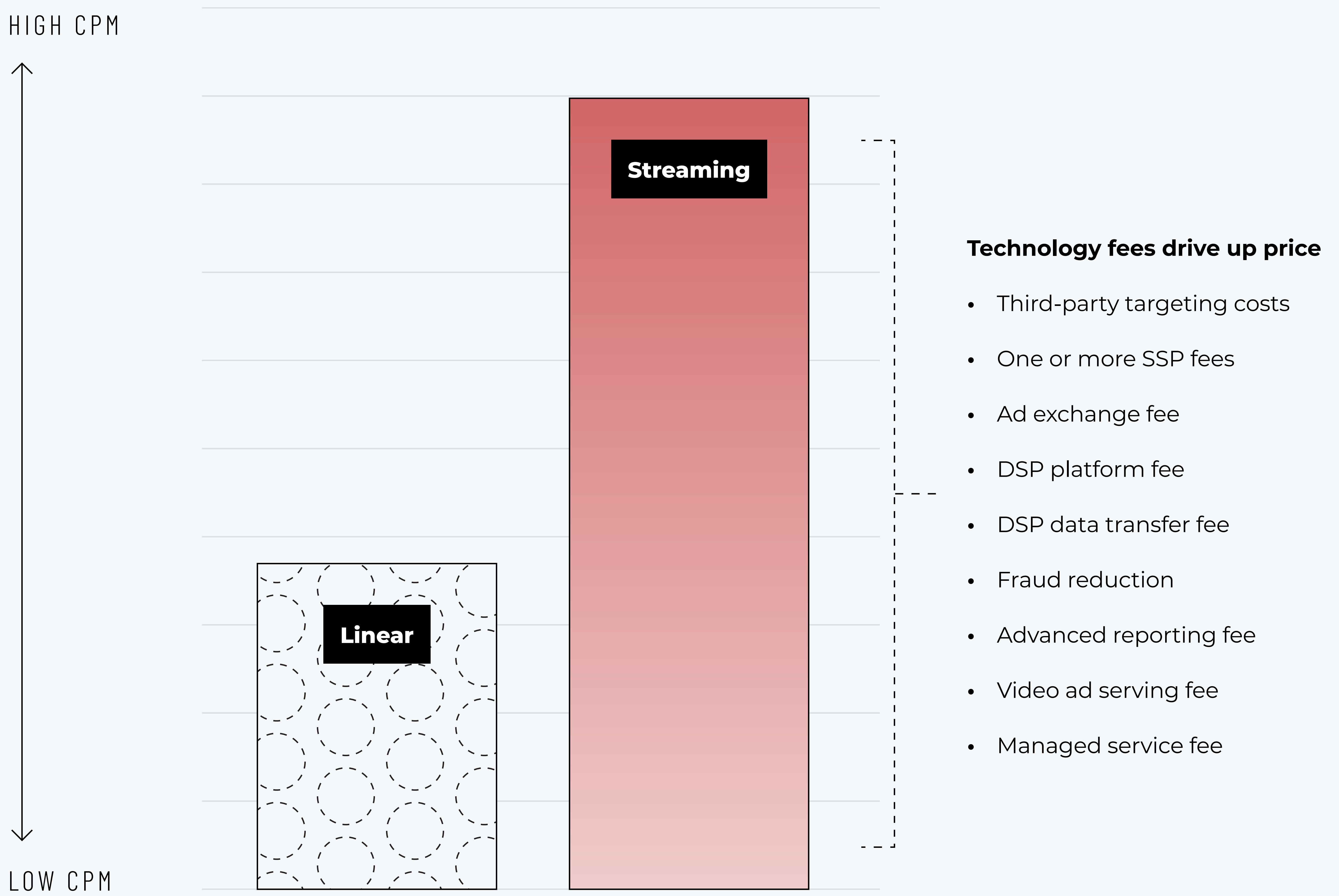
The biggest roadblock for performance marketers exploring streaming TV is simply the cost.

CPMs (Cost Per Thousand Impressions) on streaming platforms are significantly higher than what can be achieved with linear TV. In linear, performance marketers can purchase lower-cost inventory in the opportunistic media marketplace. This hasn't yet been an option in streaming.

"**CPMs on streaming platforms are significantly higher** than what can be achieved with linear TV."

Technology fees are built into streaming media CPMs

Technology fees are intertwined with the base cost of streaming media inventory



Plus, some of the most well-known streaming platforms are also the most expensive. Just ahead of Netflix releasing their ad-supported tier, news broke that the streaming leader would charge a $60 CPM, with potential to reach $80. Plus, advertisers couldn't choose programming, had limited targeting options, and no third-party measurement. That's a steep price only to lose the capabilities that made streaming appealing in the first place. And while Netflix's ad offering has evolved in the last year—in early 2023, they partnered with Nielsen to provide measurement insights—it's still far from ideal for performance campaigns.

But high CPMs aren't all that makes streaming's media buys so pricey. Intertwined with the base cost of inventory are tech fees.

- Third-party targeting costs
- One or more SSP fees
- Ad exchange fee
- DSP platform fee
- DSP data transfer fee
- Fraud reduction
- Advanced reporting fee
- Video ad serving fee
- Managed service fee

Each added layer of cost drives up the overall price brands pay for media and makes it even harder to drive ROI through streaming campaigns.

DILEMMA #2

The Problem with Precision

Targeting on streaming platforms isn't just about getting your ad in front of viewers, it's about getting it in front of the right viewers. One of the channel's strongest draws is getting access to the same targeting methods digital advertisers use to reach ideal customers. But with streaming, there are multiple reasons a hyper-targeted approach could be short-sighted and even harm campaign results.

"With streaming, there are multiple reasons **a hyper-targeted approach could be short-sighted** and even harm campaign results."

1. **Most brands have broader audiences than they think.**
How confident are you that your audience target is exactly correct? Or that there aren't other valuable pockets of consumers who don't fit your current ICP?

Expanding the reach of your campaign beyond only the most ideal consumers ensures you reach all important potential buyers and decision influencers. Plus, it builds mental availability with consumers who aren't in-market for your offering right now, but will be in the future.

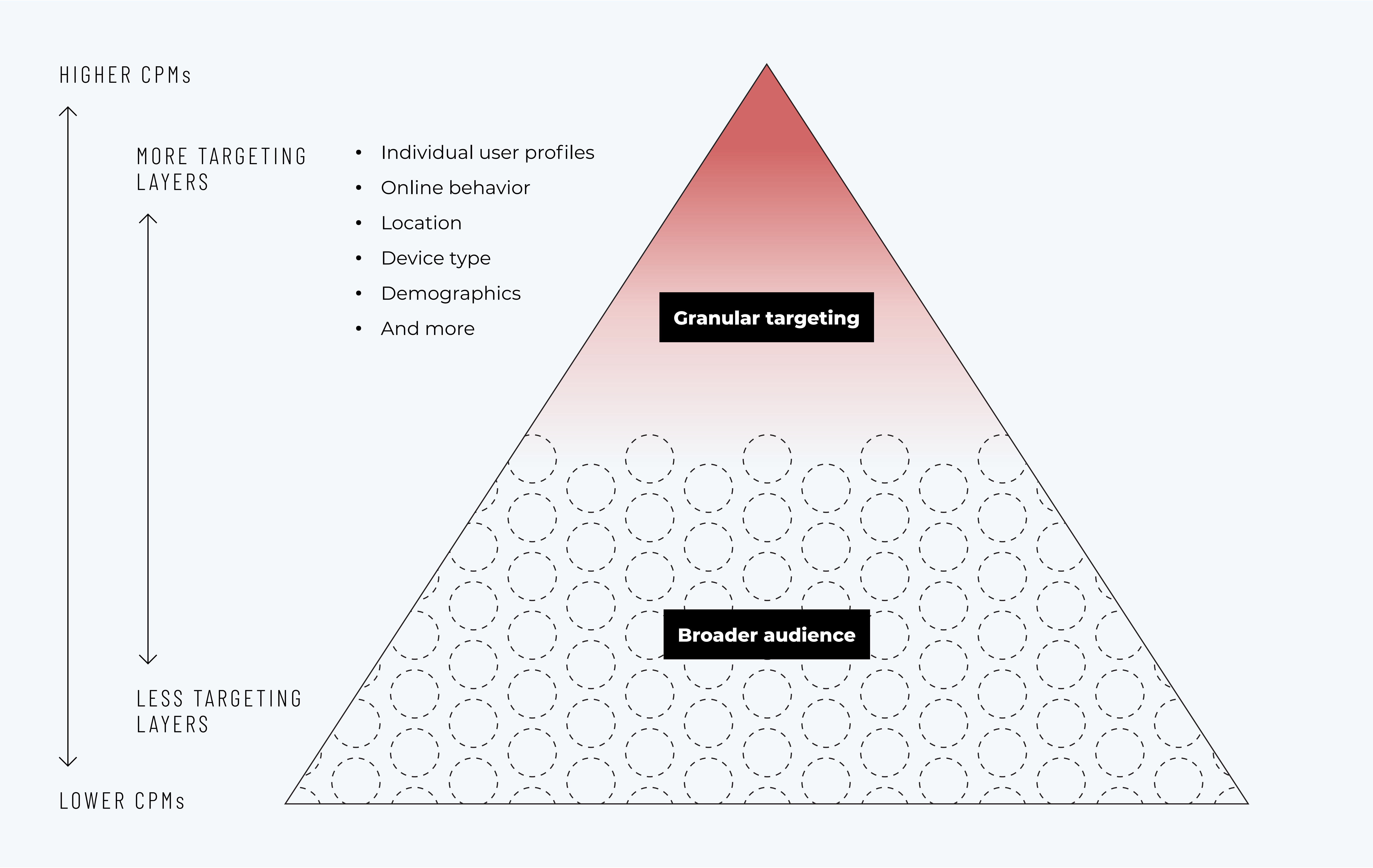
Of course, this doesn't mean targeting everyone. But it could mean targeting a wider group that includes some positive media spill. TV's impact has always been due to its mass reach and high visibility. Leaning into that could result in more effective campaigns in the long-term.

2. **Granular targeting equals higher costs.**
Even if you are confident in your extremely niche audience, it's going to cost extra to reach only that group. Streaming advertisers can target by individual user profiles, online behavior, location, device type, demographics, and more. But every layer of targeting equals more fees. The more specific and narrow your target, the more you'll pay to reach them—especially if you're targeting specific individuals.

This means you'll need to see an even higher return on your campaign in order to make those extra fees worthwhile. And that could happen, especially with something like a retargeting campaign, but it isn't always the case.

Streaming CPMs increase with each targeting layer

CPMs in relation to targeting layers, compared across granular targeting versus broad audience reach



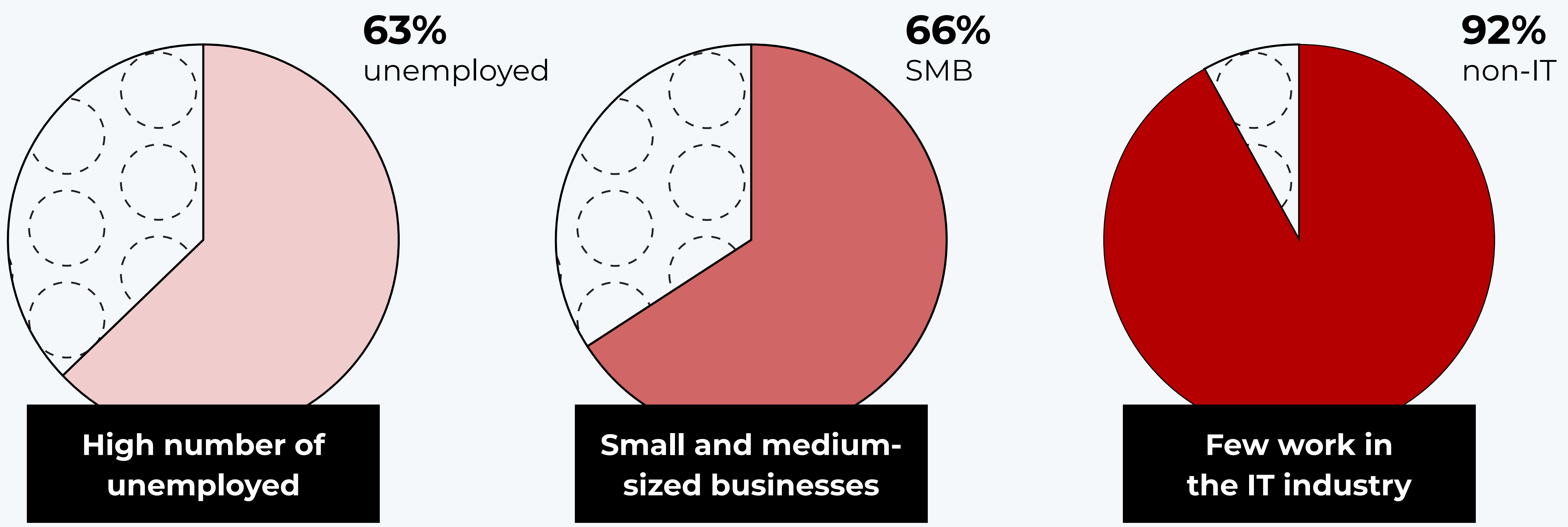
3. Frequency becomes your enemy.

Campaigns that limit reach to a very small group are also more likely to run into frequency issues. Frequency is the number one problem reported by streaming viewers—they're shown the same ads too often. Unfortunately for advertisers, overexposure can end up deterring the very consumers you're trying to attract. Based on a study by IPG and Nexxen, intent-to-purchase dropped 16% among viewers who saw the same ad six times.

Frequency capping solutions do exist, although they vary in effectiveness, but with an extremely small group to reach in the first place, you'll end up either hitting the same people repeatedly or severely limiting your campaign's scale.

Low-quality audience in targeted campaign

Digital targeting evaluation by HP in partnership with MIT and the University of Melbourne



SSRN

4. Targeting inaccuracies abound.

Everything above assumes the targeting data being used to identify your audience is accurate. But not only is streaming targeting expensive, it's also not as definitive as we like to imagine. While the promise of streaming is reaching a precise audience target, the reality is that shared accounts and dual viewing muddy the waters, frequently leading brands to pay premiums for inaccurate targeting.

This can be seen most clearly with IP targeting, or targeting individuals based on their IP address. Third-party data informs which IP addresses are valuable enough for your campaign to reach, but low-quality data is rampant. Only 23% of global marketers say they have the quality data needed to maximize their ad investments. A recent study performed by HP found their highly targeted digital campaigns intended to reach IT professionals at enterprise companies was actually targeting mostly outside that field. A mere 8% of their target worked in IT. Plus, as privacy regulations expand, new restrictions around the availability of this data are expected.

Even if you have high-quality data and get the IP address correct, that's still not enough to ensure you reach the right person. On average, five people use a single shared streaming account. However, only one person is actually tied to that account and its IP address. So you may pay extra targeting fees to reach an IT professional, only for the ad to play while their tween children watch.

DILEMMA #3

Measurement Missteps

The adage "I know half my advertising is working; I just don't know which half" takes on new significance for streaming advertisers. Because it's possible no half is working the way you'd like it to. But you may not know it until the business results (or lack thereof) roll in.

Accurate measurement has always been a challenge for marketers, and especially for TV advertisers. Streaming was supposed to be the solution—greater visibility into the exact impact of every impression.

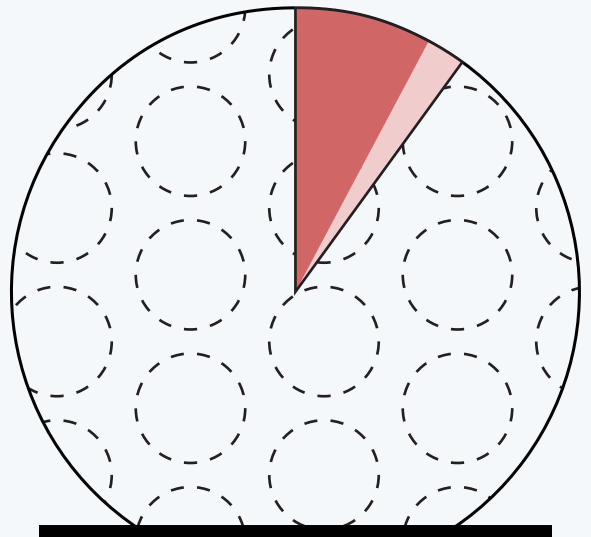
"I know half my advertising is working; **I just don't know which half**."

Attribution can be arbitrary

Streaming measurement comes with its own challenges

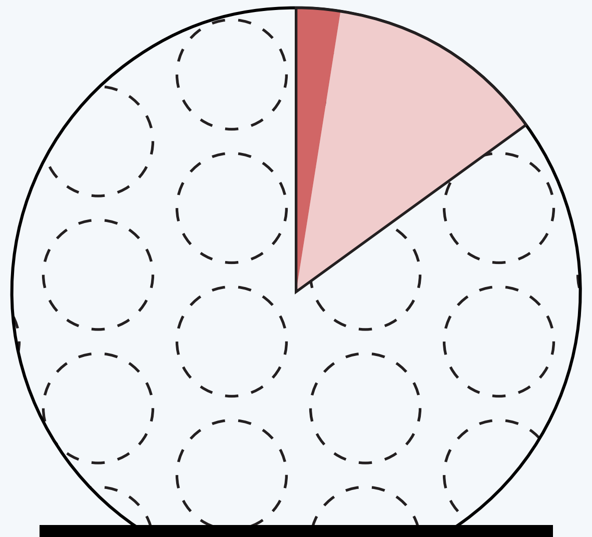
Multi-currency measurement is "a mess" according to agency practitioners surveyed by Deloitte.

Lacking universal measurement



8-10% of impressions are delivered when a TV set is off.

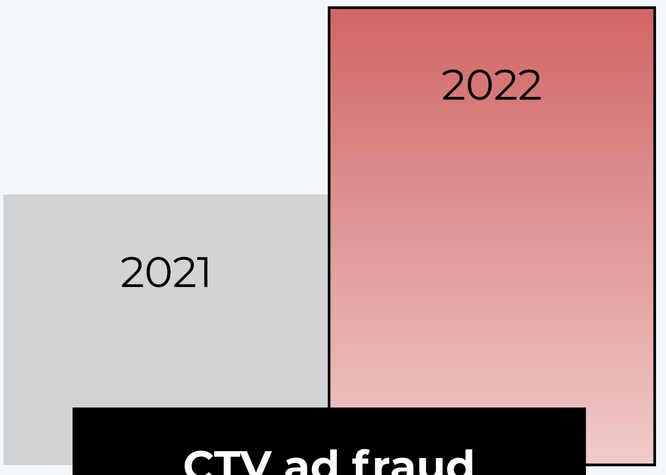
Ads delivered, but never seen



2.5-15% of impressions are overcounted by publishers across all CTV activity.

Overcounted impressions

+69% ad fraud



CTV ad fraud increased YoY

Deloitte, PR Newswire, eMarketer

But severe audience fragmentation means that's far from reality. The average streaming viewer subscribes to 4 different platforms. And which 4 platforms they watch changes frequently. Over a 6-month period, subscriber churn for SVOD platforms is 44%. Roughly a quarter of consumers have "churned and returned"—cancelling a streaming service only to resubscribe within the next 6 months.

For advertisers, tracking how they engage with individuals across all these platforms is a challenge, one that's made even more difficult because of a lack of consistency and communication between publishers. For example, there's no single, universal currency for streaming measurement. Every publisher can use their own method for counting impressions. So a marketer trying to review their campaign's reach on Hulu vs Pluto TV could be comparing apples to oranges.

And while the streaming industry is making strides towards a comprehensive approach to measurement, for now, it remains unstandardized. With no universally accepted method for attribution, advertisers are missing clarity around the effectiveness of their campaign, whether they're reaching the right people, or whether they're reaching anyone at all. 8-10% of streaming impressions are delivered when a TV set is turned off. Publishers overcount impressions from 2.5%-15% across all CTV streaming activity. IP address maps vary from company to company, so the same campaign results could be interpreted very differently by two separate data vendors. And ad fraud is another major concern, with CTV ad fraud growing 69% in 2022.

When significant dollars are at play, nebulous metrics aren't enough, especially when marketers struggle to connect their campaigns to tangible business impacts.

WHY YOUR STREAMING TV STRATEGY MIGHT BE FAILING, AND HOW TO FIX IT

4 WAYS TO IMPROVE YOUR STREAMING STRATEGY

Navigating the world of streaming isn't just about acknowledging its challenges. And it's definitely not about giving up—streaming has incredible potential that's worth pursuing. But it does require harnessing strategies and technology to capitalize on that potential.

STRATEGY #1

Adopt an 'Everything Works at Zero' Approach.

The greatest determinant of a [campaign's ROI] is its upfront cost. This is a basic rule of investing. If you spend more, you need greater return to make it worthwhile. If you spend less, even a smaller return can be profitable.

So to drive performance results on streaming, start by reducing your upfront media spend. Here's how.

> "To drive performance results on streaming, **reduce your upfront media spend**."

Low-cost inventory has greater ROI potential

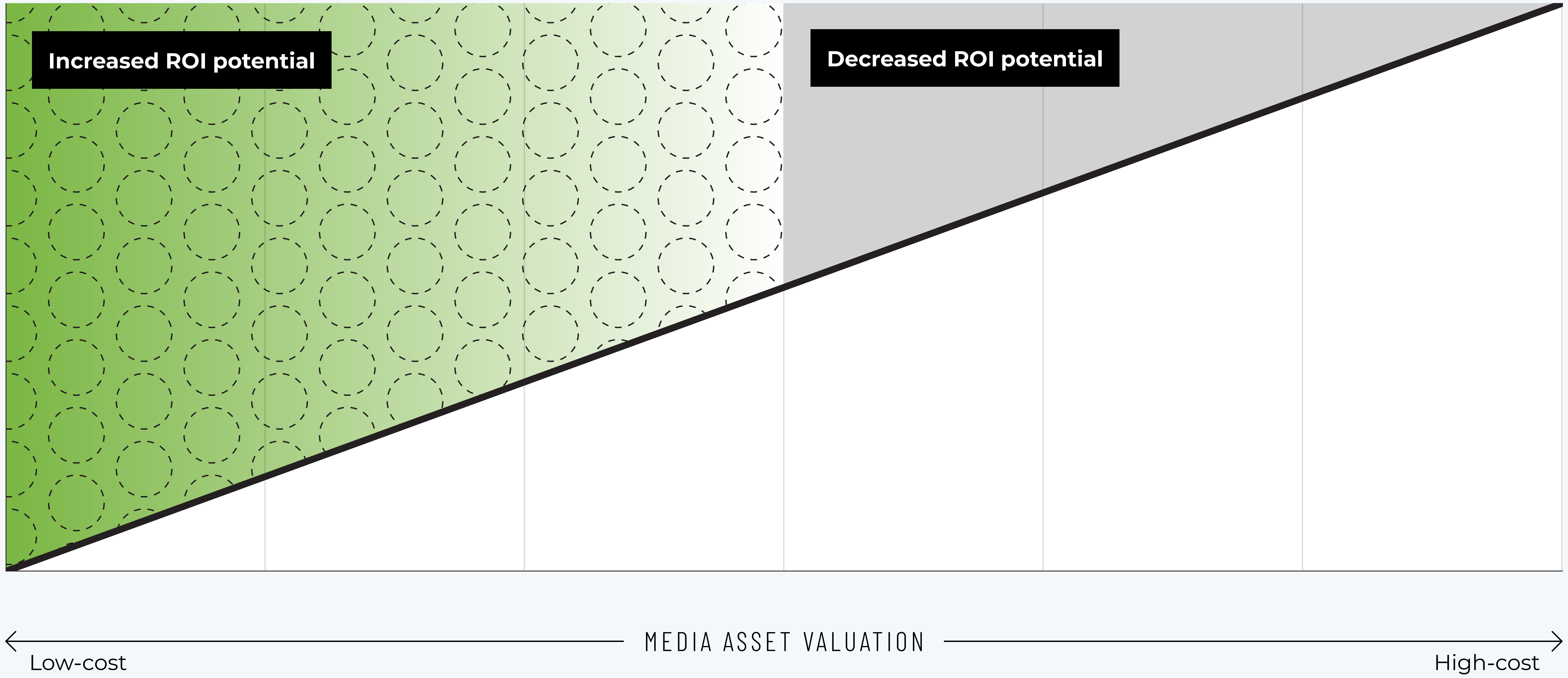
Comparing low-cost and high-cost inventory against their maximum ROI potential

Low-cost media increases ROI potential by:

- Purchasing from a diverse group of publishers
- Working with a DSP
- Partnering with a firm that only charges for capabilities you use

High-cost media decreases ROI potential by:

- Limiting spend to a handful of premium publishers
- Buying inventory directly from publishers
- Partnering with a firm that isn't transparent about pricing



1. **Buy from a diverse group of publishers.**
While it can be tempting to limit spend to a handful of premium publishers, this is not efficient. (Remember how pricey Netflix is!) Your audience watches across multiple platforms, so look for ways to reach them through the less expensive of those options. In the end, your campaign may still include top publishers like Netflix, Hulu or Disney+. But it shouldn't be only those few.

2. **Work with a DSP instead of buying direct.**
Buying inventory directly from publishers tends to result in spending your budget very quickly. Brands should instead use a demand-side platform (DSP) to access a breadth of inventory sources with options at varying price points. A DSP also provides crucial levers to control frequency and measure performance across all platforms.

3. **Look for a partner that'll only charge for capabilities you use.**
As we've seen, the streaming landscape is riddled with fees. Some are for essential services, others are not. Align with a partner who's transparent about costs and who charges solely for the tools and tech required to reach your goals.

STRATEGY #2

Target, But Don't Hypertarget.

Targeting individuals by IP address or online behavior is expensive and runs the risk of relying on inaccurate data. So while there could absolutely be a role for advanced targeting in your campaigns, it's worth exploring alternative targeting methods that offer value without the hefty price tag. The good news is there are plenty of options.

"It's worth exploring alternative targeting methods that **offer value without the hefty price tag**."

1. Demographic Targeting
This classic targeting approach was first used for linear TV. It filters out consumers unlikely to be interested in your offering based on factors like age, gender, income, and education.

2. Geotargeting
Choosing your audience based on the viewer's zip code can be an effective strategy for brands with physical retail locations. This makes sure you reach people within traveling distance of a store and can prioritize driving foot traffic.

3. Contextual Targeting
This alternative to behavioral targeting ensures you connect with relevant audiences, without paying extra, by placing your ads within content that aligns with your offering. For example, a home goods brand may advertise a new line of kitchenware during a popular cooking show.

Although contextual targeting has a long history in linear TV, it's seen a resurgence in popularity for streaming. As a result, industry leaders are making changes to increase the targeting method's accessibility for both publishers and advertisers—the Interactive Advertising Bureau (IAB) recently created [a new video classification]() that allows for accompanying content.

4. Device Targeting
And finally, all streaming advertisers should use device targeting. Streaming can be viewed across smart TVs, mobile devices, tablets, and laptops. It's this convenience and flexibility that makes it appealing to consumers. But as an advertiser, having your ad play on an iPad is not the same as it playing on an actual TV.

Some publishers will cite low streaming CPMs to advertisers but bundle the TV inventory with mobile viewing, which is less expensive. But it's also less valuable. Long-term impact and memorability are far greater when an ad shows up on a TV set while the viewer settles into their couch with a bowl of popcorn.

Efficient CTV targeting requires alternative methods

Targeting options for CTV advertisers

STRATEGY #3

Augment People with Technology.

The emergence of streaming has made the TV landscape the most complex it's ever been. Which is why technology plays an increasingly crucial role.

While human expertise provides nuance and creativity in media

"Technology offers precision, scale, and **a more complete understanding** of all available buying options."

buying, technology offers precision, scale, and a more complete understanding of all available buying options. Today, platforms powered by artificial intelligence and machine learning can dissect vast swathes of data in moments, identifying patterns and insights it might take a human team weeks to discern.

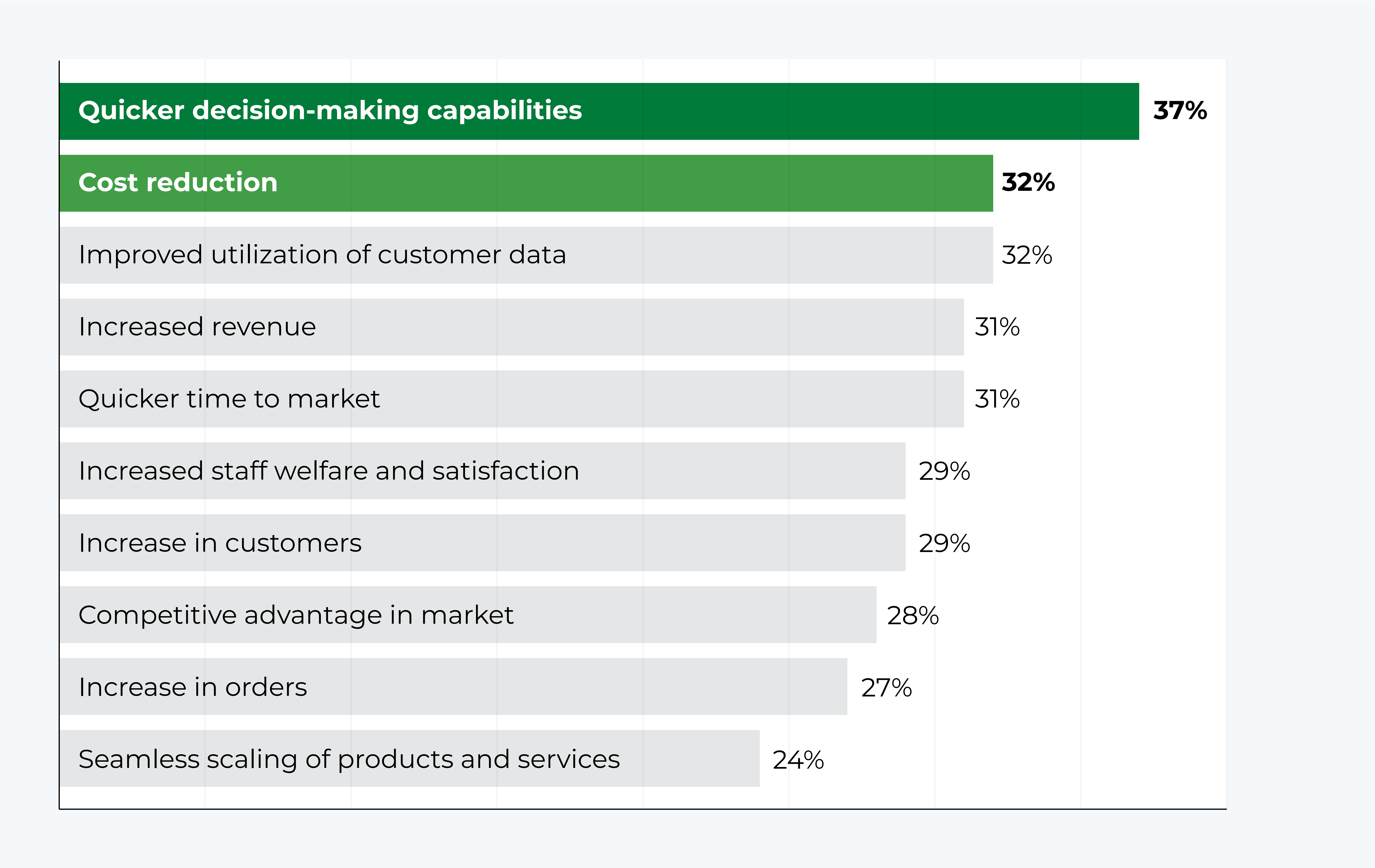
Use tech to refine your media strategy, identify the most cost-efficient buys, and ensure the accuracy of your campaign results once you have them. Tech tools can also manage ad frequency across all the streaming platforms on which your ad is shown. Setting a frequency cap, or a max number of times a viewer will be shown your ad over a specific number of days, months, or even seasons, will ensure your ad reinforces messaging rather than irritating repeat viewers.

Partnering with a DSP is a great way to gain multiple advanced tech capabilities within a single platform, especially around media buying, but you can also look to external vendors for support in specialized areas.

For example, companies like DoubleVerify, MMI and IAS all provide technology to protect from ad fraud. Campaigns that use DoubleVerify's invalid traffic detection see ad fraud rates at just 0.6%, compared to the average of 11.2% for unprotected campaigns. Others, like iSpot TV, Comscore, Nielsen, and Samba TV focus on measurement and can provide an objective, third-party view of campaign results.

AI improves business performance

According to business leaders in the US, UK and China, Jan 2022



eMarketer

STRATEGY #4

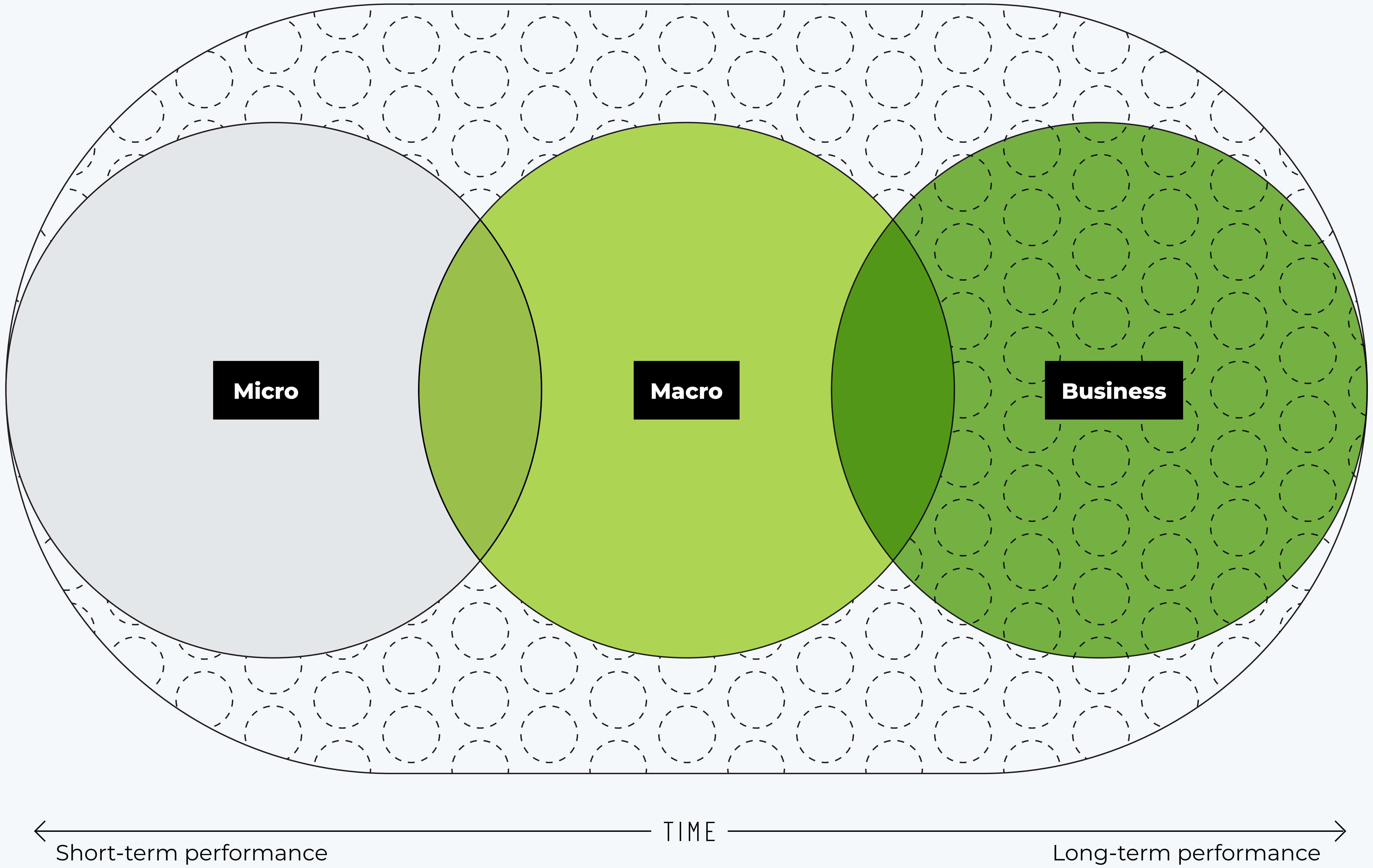
Verify Results with Multiple Measurement Models.

Measuring TV is hard, even streaming TV. And trusting a single metric can be deceptive. Embrace a [multifaceted approach]() to attribution by running multiple measurement models in parallel to gauge a campaign's full impact.

> "Trusting a single measurement metric can be **deceptive**."

Getting the full picture of TV performance

Micro, macro and business impacts



Micro: Analyze response

- App downloads
- Calls
- Texts
- Web traffic

Macro: Track changes

- Website traffic composition (paid search, direct and organic traffic)
- Conversion

Business: Identify gains

- Brand awareness
- Brand recall
- Brand familiarity
- Revenue

1. **Track micro, macro and business impacts over time.** Various results driven by TV become measurable at different points in time. Bottom-of-the-funnel results show up first. So after launching your campaign, start by analyzing response through calls, texts, app downloads, or web traffic.

But not everyone acts immediately after seeing an ad on TV. Over the weeks following your campaign, track changes in website traffic composition—TV primarily drives paid search, direct and organic traffic. Conversion rates should also increase since TV drives an especially high-intent customer.

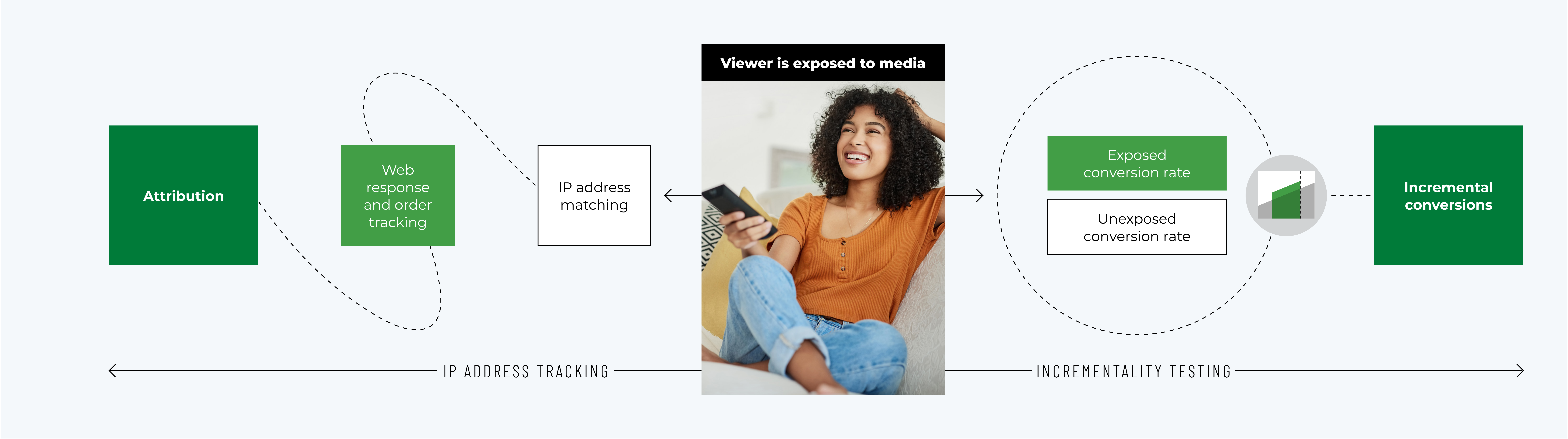
In the long-term (potentially months), look for improvements in brand awareness, recall and familiarity. And of course, revenue.

2. Track IP addresses from impression to conversion.
Get granular with results. IP addresses can sometimes be unhelpful for targeting, but for measurement they offer a whole new way to track results. Once someone's seen your ad, you can track their online behavior all the way to conversion. This is one area where streaming's digital-like capabilities live up to the hype.

3. Use incrementality testing.
One of the clearest ways to determine the impact of any marketing campaign is by analyzing incremental changes. When setting up your streaming campaign, separate your audience into a test group that will be shown your ad and a holdout group that won't see it. Once your campaign's running, you can compare outcomes between the two groups. If the group that was shown your ad is seeing higher orders, new customers, and conversion rates, that's a strong signal the campaign is working.

Embracing multifaceted attribution

IP address tracking and incrementality testing



WHY YOUR STREAMING TV STRATEGY MIGHT BE FAILING, AND HOW TO FIX IT

LOOKING FORWARD

LOOKING FORWARD

The Future of Streaming is Now.

Meet Annika.

More than five years ago, the team at Marketing Architects built Annika to buy and optimize TV media using AI and machine learning. Since then, she's grown drastically smarter. Programmed with an advertiser's unique performance criteria and target audience, Annika analyzes billions of data points to find the best buys for the individual brand, ones that will drive accountable performance results.

In 2022, she recommended 55,000 media buys and 2 million airings for TV advertisers. Over the last year, she made 90,000 optimizations and saved human media buyers almost 5,000 hours in manual labor.

Annika redefined how TV media could be bought. But as streaming redefined TV, Annika needed to continue evolving. There was no marketplace for performance marketers in streaming. So we set out to create one.

Introducing Annika Streaming, the first opportunistic rate marketplace in Streaming TV. Based on the proprietary technology developed for traditional TV, we built Annika Streaming to buy streaming better than current marketplace offerings allowed and to solve the biggest challenges facing performance brands looking to capitalize on streaming's potential.

Pricing: Cutting out middlemen, unnecessary fees, and waste, Annika has access to rates more efficient than industry-leading third-party DSPs. This way, streaming media buys are finally priced to drive ROI.

Targeting: Annika can use contextual, time of day/ day of week, geographic targeting, and retargeting to reach your audience. She also includes Smart Targeting—an audience discovery and targeting tool that can achieve targeting precision without the typical costs and inaccuracies by making the most of brands' own first-party data.

Distribution: Annika is integrated with dozens of publishers, and available on Roku, Chromecast, Amazon Firestick, and smart TVs. So you're not stuck with just a few pricey platforms.

Measurement: With Annika, get access to multiple models running in parallel, including using IP address tracking and holdout groups for incrementality testing, and feel confident in your campaign results.

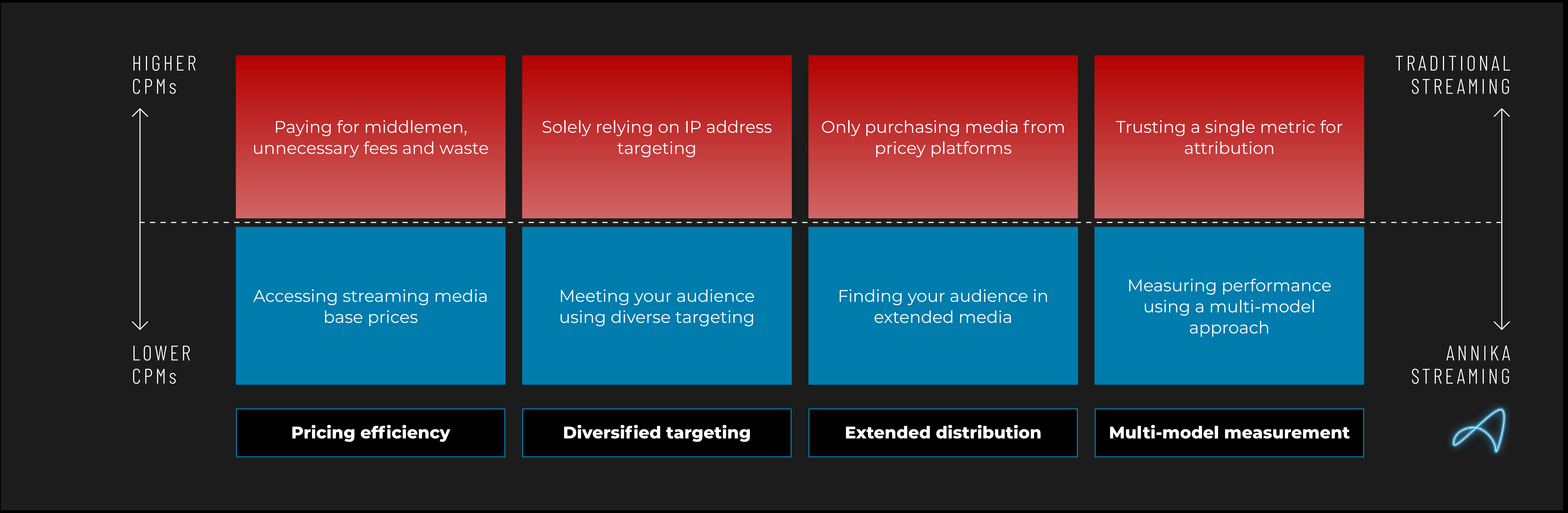
There's been so much promise around streaming and what it could mean for the future of TV advertising — how it could turn a traditionally challenging channel into a highly accountable, highly measurable one.

But so far, executing on that promise has been difficult. The moment when streaming shifts from being the "future" of TV advertising to becoming TV's "present" has remained elusive.

But with Annika Streaming, we're taking a step towards that moment. Towards real performance-first streaming TV.

Annika's opportunistic rate marketplace for Streaming TV

Pricing, Targeting, Distribution and Measurement



About Marketing Architects

TV advertising is a powerful channel.

Done right, it can become an essential growth driver for your business. At Marketing Architects, we use an approach called All-Inclusive TV to help advertisers make the most of their TV investment. Connect with us at **marketingarchitects.com** to learn more.