

A woman with dark hair, wearing a vibrant red blazer, a white pleated skirt, a yellow necklace, and yellow socks with red shoes, stands against a solid blue background. She is smiling and looking upwards. The word 'OTT' is overlaid in large white letters, with the 'O' being a play button icon.

OTT

— and its place in the —  
TV ECOSYSTEM

**effectv**<sup>TM</sup>  
A COMCAST COMPANY

# EXECUTIVE SUMMARY

---

In the advertising industry, Over The Top (OTT) is emblematic of the **New TV** landscape. As consumers stream more content to their devices of choice, OTT has become more and more important for advertisers to use as a marketing channel, especially in reaching younger audiences.

However, there are challenges: OTT is a poorly defined term that continues to confuse the marketplace, and it has sometimes received more attention from the industry than its relative scale justifies.

As viewing has fragmented, it is important for advertisers to reaggregate reach. Whether individuals or households are watching TV via their set-top box or an OTT device, it comes down to finding the right audiences at scale. OTT is an important part of that equation but should be used in concert with other forms of TV.

Advertisers need to understand where and how viewers are engaging with TV content and create cross-platform media plans (including linear, STB VOD and OTT) that reflect the consumption patterns of their intended audience.

## KEY TAKEAWAYS

- OTT is an increasingly important part of the TV ecosystem and represents an opportunity for advertisers to engage with digital-first and linear-first audiences
- OTT is growing rapidly but its relative scale is still small compared to linear TV, especially if you take into account non-ad supported SVOD consumption
- OTT, along with STB VOD, is a great complement to linear TV as a way to optimize reach and frequency
- When taking an audience-first approach, advertisers should be device-agnostic: OTT will deliver its relative share of audience as part of a well-rounded total TV media plan

# INTRODUCTION

---

Before we dive into the world of OTT, let's level set on what we mean when we use the term.

CTV (connected TV) has often been used interchangeably with OTT. Viewers tend to gravitate towards the best screen available and as the household usually has the best connectivity, CTV makes up the majority of OTT consumption. However, OTT or "Over the Top" is defined as any (premium) video streamed over the internet, regardless of device. We include the term "premium" in this definition because in this piece we are referring to TV-quality content, but we recognize that non-TV quality content is available via OTT.

TV Everywhere (TVE) is also synonymous with OTT, and are apps that allow viewers to access content over the internet by logging in with their MVPD subscription credentials. The concept of OTT will likely be replaced by the term "streaming" in the near future but until then, below are the terms often associated with streaming video.

## GLOSSARY OF TERMS

**OTT:** OVER THE TOP

**CTV:** CONNECTED TV

**TVE:** TV EVERYWHERE

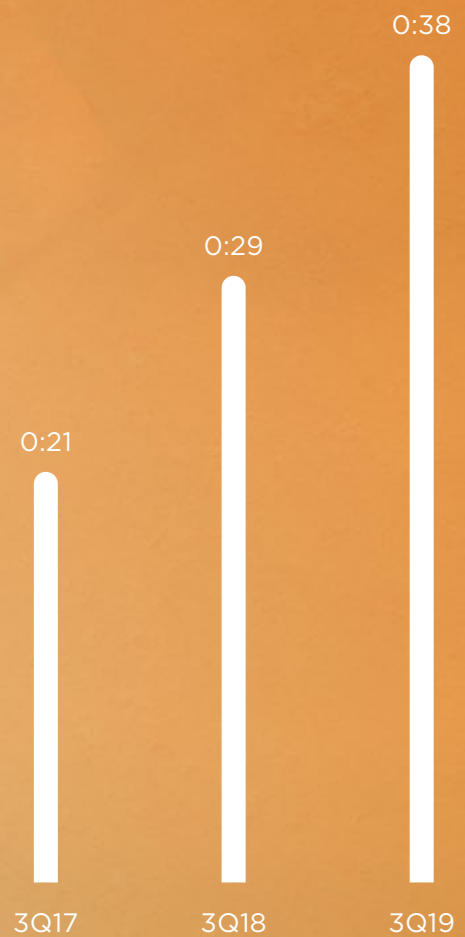
**SVOD:** SUBSCRIPTION VIDEO-ON-DEMAND

**AVOD:** AD-SUPPORTED VIDEO-ON-DEMAND

**STB VOD:** SET-TOP BOX VIDEO-ON-DEMAND



OTT as a media channel has received a great deal of industry attention because it has grown substantially over a relatively short period of time. In the past two years, OTT usage has increased 81% as subscription services and ad-supported applications have given viewers new and flexible ways to consume their favorite content.

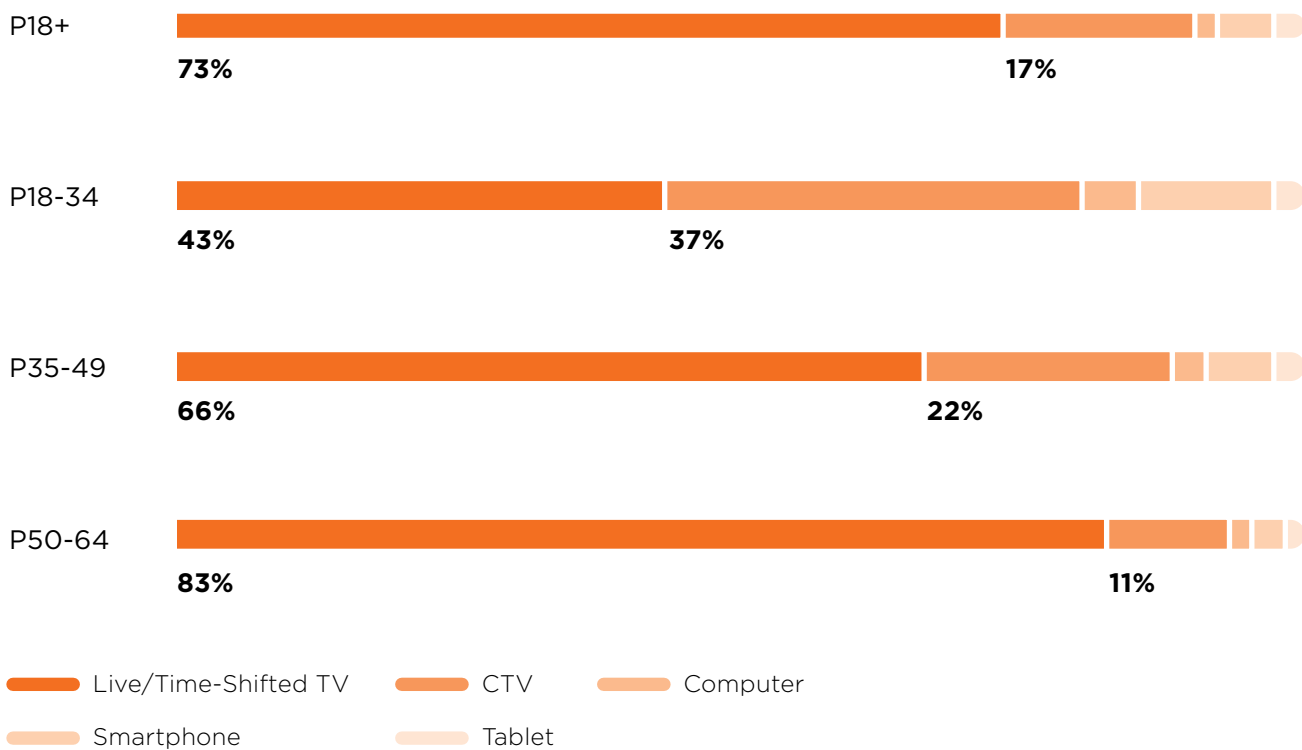


**DAILY TIME SPENT WITH  
INTERNET CONNECTED TV  
DEVICES (P18+)**

Source: Nielsen Total Audience Report,  
3Q17 - 3Q19

While OTT usage is growing, the amount of time spent with it should be kept in perspective with overall media usage. The average adult spends over 5 hours every day watching video content across multiple screens and devices. The majority of that time (75%) is still spent with live/time-shifted TV.

## SHARE OF DAILY VIDEO USAGE



Source: Nielsen Total Audience Report, 3Q19

According to Nielsen, in 3Q19, connected-TV devices (DVD/ Blu-ray, game consoles and internet-connected devices) accounted for 17% of the average adult’s time spent with video.

**Among the younger 18-34 demo, connected-TV devices accounted for over one-third (37%) of daily time spent with video. Even among the younger demo, Live/Time-shifted television accounts for the largest share of viewing (43%).**

# OTT: SVOD & AVOD

---

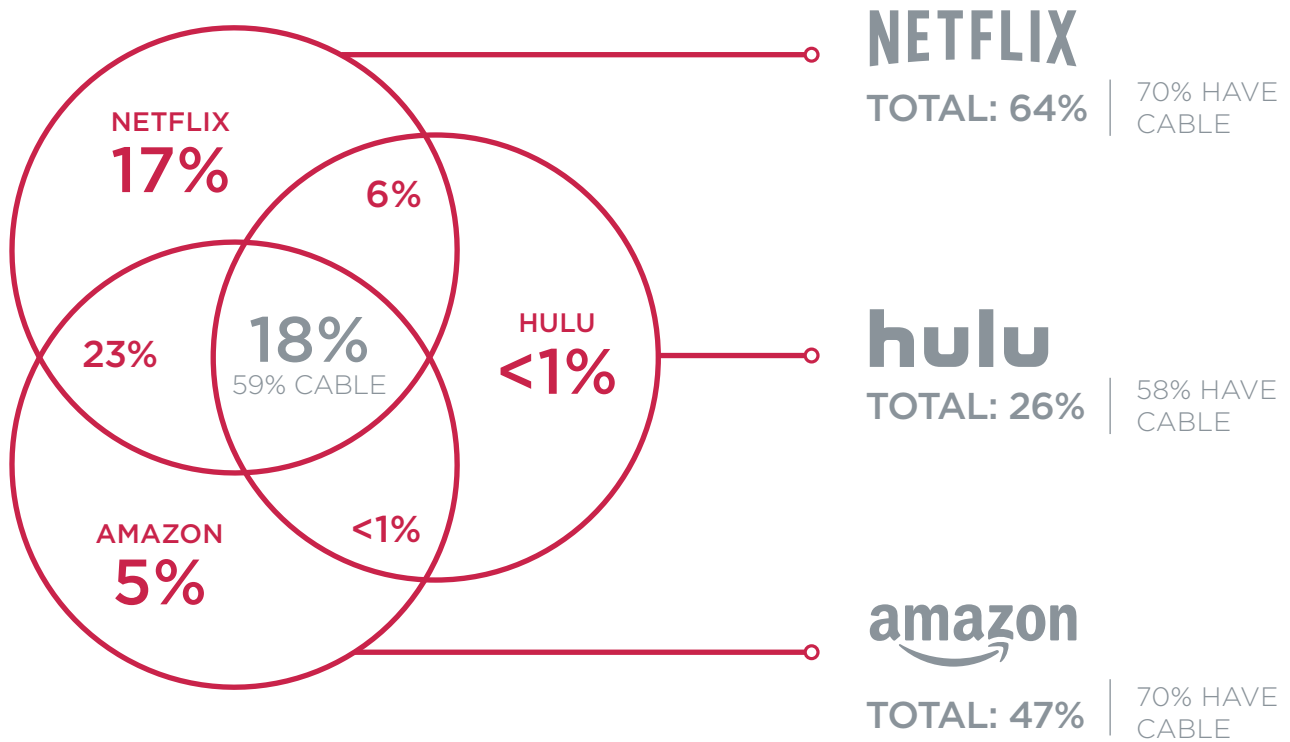
Something that is often missed in the headlines about OTT growth is that at least 39% of all streaming is not ad-supported (based on Amazon and Netflix streaming only). Time spent with the ad-supported portion of OTT is a smaller portion than the often reported overall time spent with streaming video. It is important that we consider OTT's share of TV advertising and ensure that media investment strategies reflect that opportunity. This plays into incremental reach tactics - OTT should be a supplement to a base linear buy as opposed to the reverse.

OTT is a fantastic facilitator of choice for consumers. In 3Q19, 71% of Households used subscription video on demand (SVOD) services - either Netflix (64%), Amazon (47%) or Hulu (26%) - and among those households, the majority subscribed to more than one of these services (48% of total HHs and 68% of SVOD HHs subscribed to a combination of Netflix, Amazon, Hulu).

While some have opted to make OTT their primary means of accessing TV content, these services are more often than not a complement to a traditional cable subscription, rather than a replacement. **Nearly 3 out of 4 (71%) OTT-capable households are cable subscribers. Meaning these OTT-capable households are just as likely to subscribe to cable as non-OTT-capable HHs.**

Source: Nielsen Total Audience Report, February 2020, Based on Video Streaming Distribution by Brand and Percent of Streaming out of Total TV Usage

## US HOUSEHOLD PENETRATION OF SVOD SERVICES & CABLE

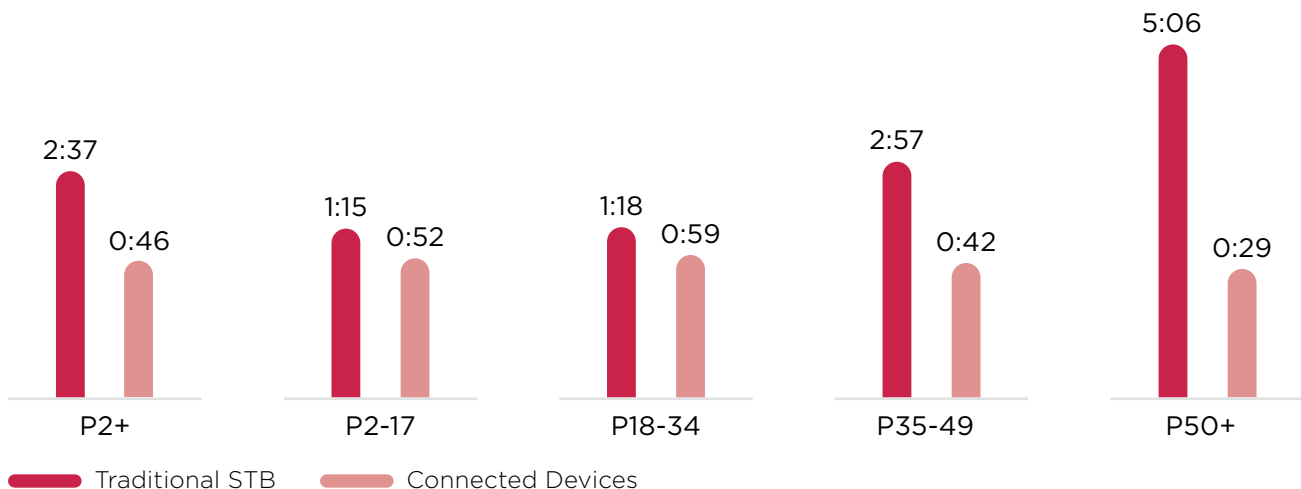


**CABLE IS THE COMMON DENOMINATOR: SVOD services are more likely to be supplemental than a replacement to cable subscriptions.**

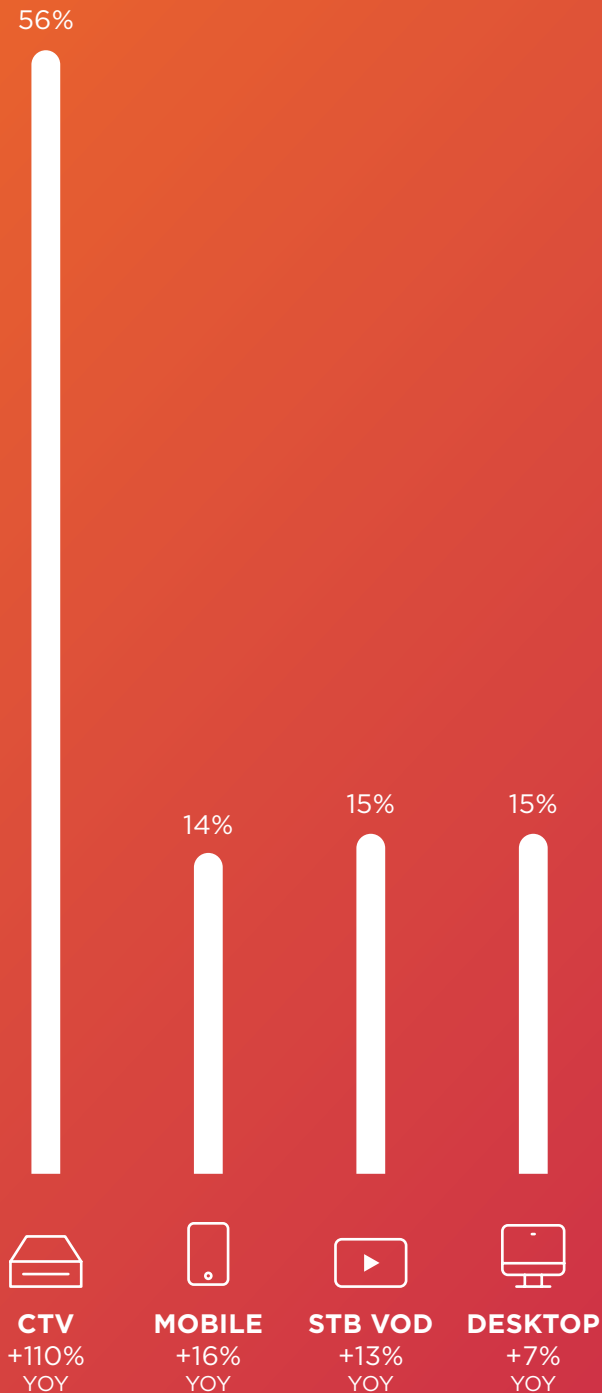
Source: Nielsen Npower, 3Q19

Even in households that subscribe to one of the “big three” SVOD providers, more time is spent viewing through the traditional set-top box than viewing through connected devices. This is true across all age groups.

## DAILY TIME SPENT BY DEVICE (SVOD HHs)



Source: Nielsen Npower, 3Q19



**AD VIEW COMPOSITION AND GROWTH, BY DEVICE, U.S. Q3 2019**

Source: FreeWheel Video Marketplace Report, 3Q19

# OTT: THE AVOD EXPERIENCE

OTT is also helping to drive video back into the living room, which only reinforces this idea of complementarity. Viewers want to watch their favorite shows on the best screen available in the home and will default to using their set-top box, connected devices and services to watch on their television screen.

According to the **3Q19 Freewheel Video Marketplace Report**,

“Connected TV drove the bulk of premium video ad view growth in the third quarter of 2019, growing +110% compared to last year and now representing 56% of the total market. When combined with ad views from DAI\*-enabled set-top boxes (STBs), more than two-thirds of all ad views are on ‘the big screen.’”

This obviously has positive implications for marketers in terms of being part of immersive experiences and viewer engagement.

Not only do viewers have more choice, but now advertisers have more choice too.

\*DAI: Dynamic Ad Insertion



# TV: FUELED BY DATA

One of OTT's (and digital media in general) selling points is the targeting and analytics that are possible for advertisers. Linear TV has been moving up the digital curve and now, with enhanced data and attribution, can offer the same capabilities as digital media. In short,

**TV in all its forms is now fully data-enabled.**

This brings audience-based capabilities that help brands identify and tailor messaging to their current and prospective customers, with proof that they effectively reached that target on the backend. This is now true for both the IP-enabled OTT channels as well as the traditional set-top box VOD and linear channels.

Data enables advertisers to find audiences whenever and wherever they are watching. **Data-driven campaigns are content-agnostic and incorporate more networks and broader dayparts to find desired audiences.**

Through analyzing the performance of thousands of linear campaigns, it's been proven that data-driven audience campaigns are able to achieve targeted reach at scale.

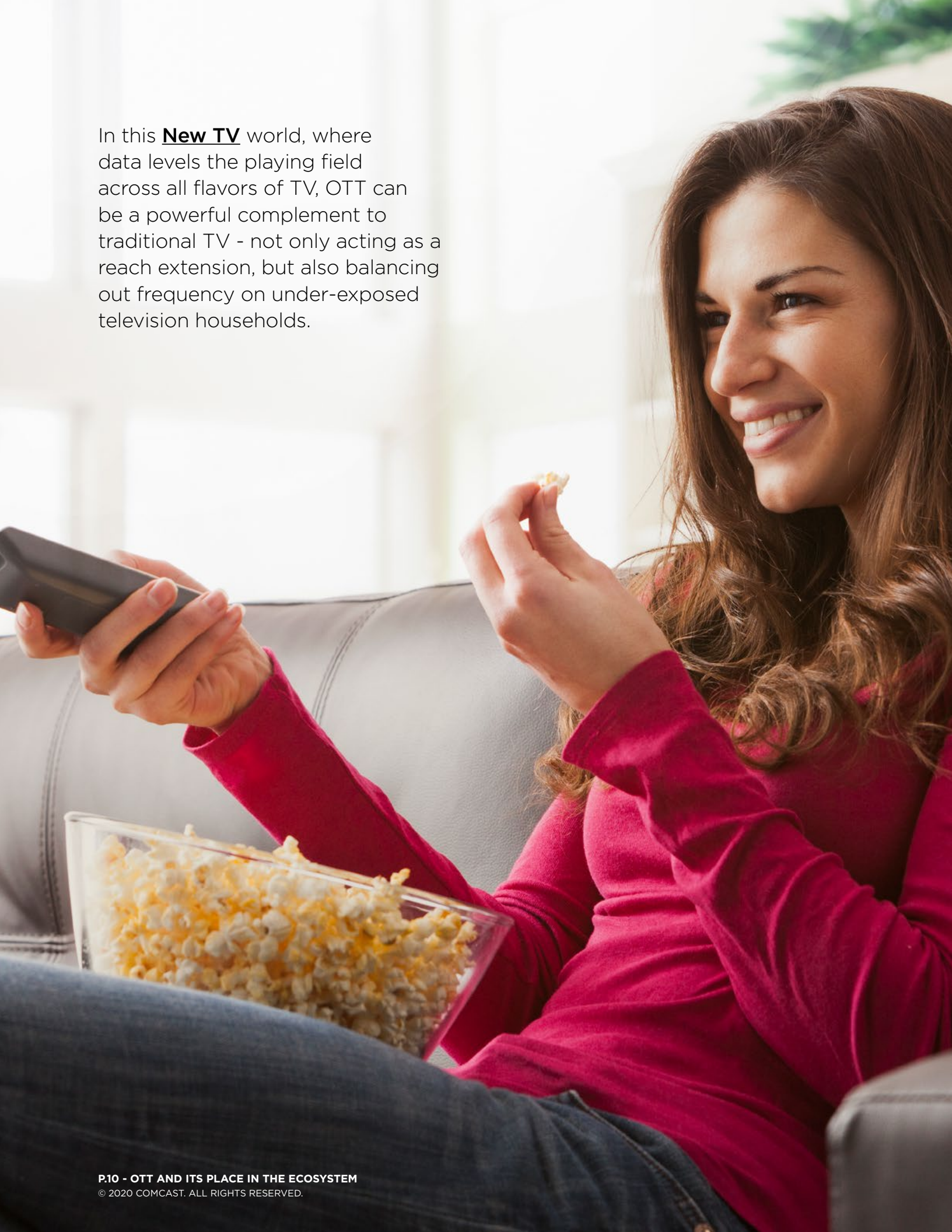
**On average, data-driven linear TV campaigns deliver more than twice the reach of traditional, spot-based campaigns.**

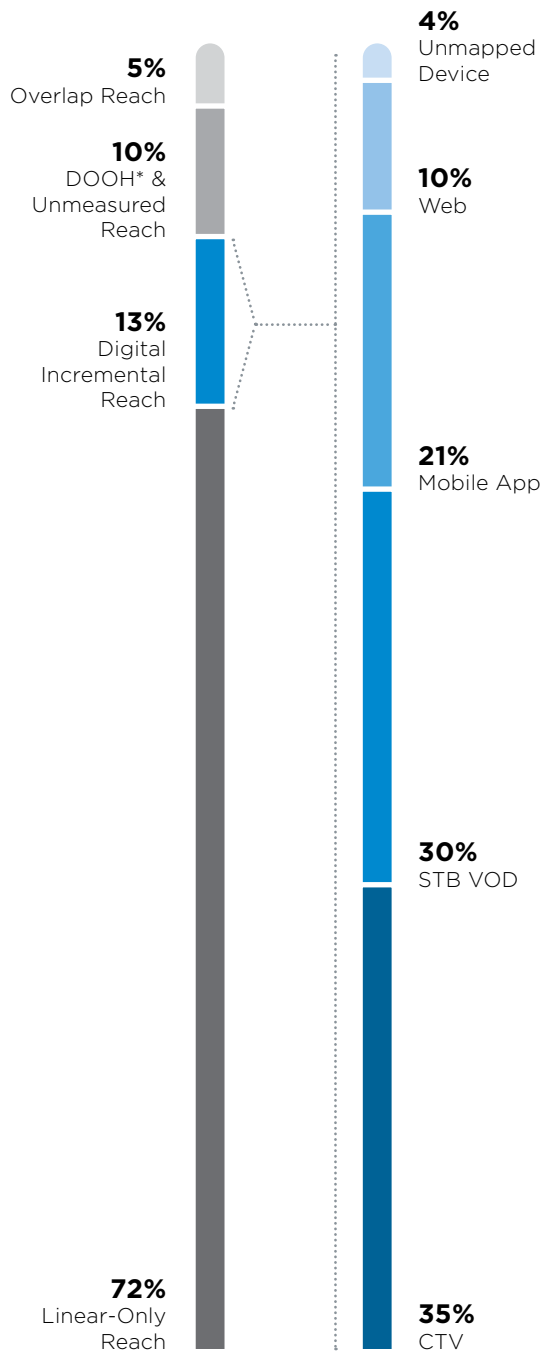
## DATA-DRIVEN LINEAR TV CAMPAIGN ANALYSIS

	Legacy	Data-Driven
<b>Number of Campaigns</b>	1,082	2,824
<b>Number of Networks</b>	<10	20+
<b>REACH</b>	<b>18%</b>	<b>39%</b>

Source: Effectv 2Q19 campaign analysis, based on orders with \$1k-\$5k investment. HH reach in Comcast homes.

In this **New TV** world, where data levels the playing field across all flavors of TV, OTT can be a powerful complement to traditional TV - not only acting as a reach extension, but also balancing out frequency on under-exposed television households.





# BUILDING REACH ACROSS TV

It's important to understand how different components of a campaign work together to build overall campaign reach. The chart on this page is an example from a campaign promoting a local sports team. Recommended spend was weighted to reflect target audience consumption patterns in this market. The linear portion of the campaign accounted for 80% of the total spend, while the remaining 20% was spent on OTT and STB VOD. For ease, we will refer to non-linear channels as "digital" (but includes STB VOD).

The linear component of the campaign acts as the foundation, exclusively delivering 72% of the total campaign reach, but digital can provide incremental reach with very little overlap. In this example, of the total campaign reach, only 5% were exposed to both the linear and digital aspects of the campaign.

## CAMPAIGN PERFORMANCE CASE STUDY

HH Reach Share  
(not unique among devices)

Source: Freewheel Cross-Device Reach & Frequency Analysis of Effectv campaign, Atlanta, 2/19-4/8/18

\*DOOH: Digital Out-of-Home

CTV drives the majority of non-linear premium video and this example is no different. Nearly two-thirds (65%) of the digital incremental reach came from OTT and set-top box VOD, with OTT being the largest driver. While OTT was the largest driver of digital incremental growth, it represented only 4% of the total campaign reach.

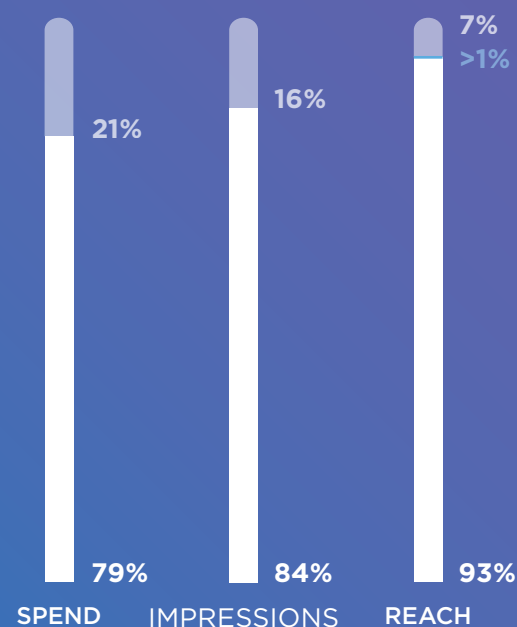
The combination of OTT and STB VOD helps advertisers find unique viewers to maximize reach. **In most cases, viewers use OTT as a complement to traditional television; advertisers should do the same.**

On this page, another example of OTT providing incremental reach on top of linear TV, an automotive advertiser spent 79% of their budget on a linear television campaign and 21% on digital video. The linear portion of the campaign delivered 84% of total impressions and the digital portion delivered 16%.

Interestingly, there was very little overlap between the two campaigns.

The reach provided by digital video was almost entirely incremental – 94% of the digital reach was not exposed to the linear television campaign.

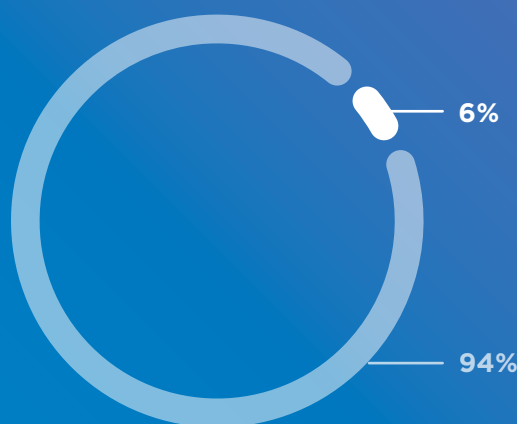
## CAMPAIGN PERFORMANCE CASE STUDY



- Linear TV
- Digital Video
- Both

Less than 1% of total reach exposed to campaign on both linear and digital

## DIGITAL VIDEO COMPLEMENTARY REACH

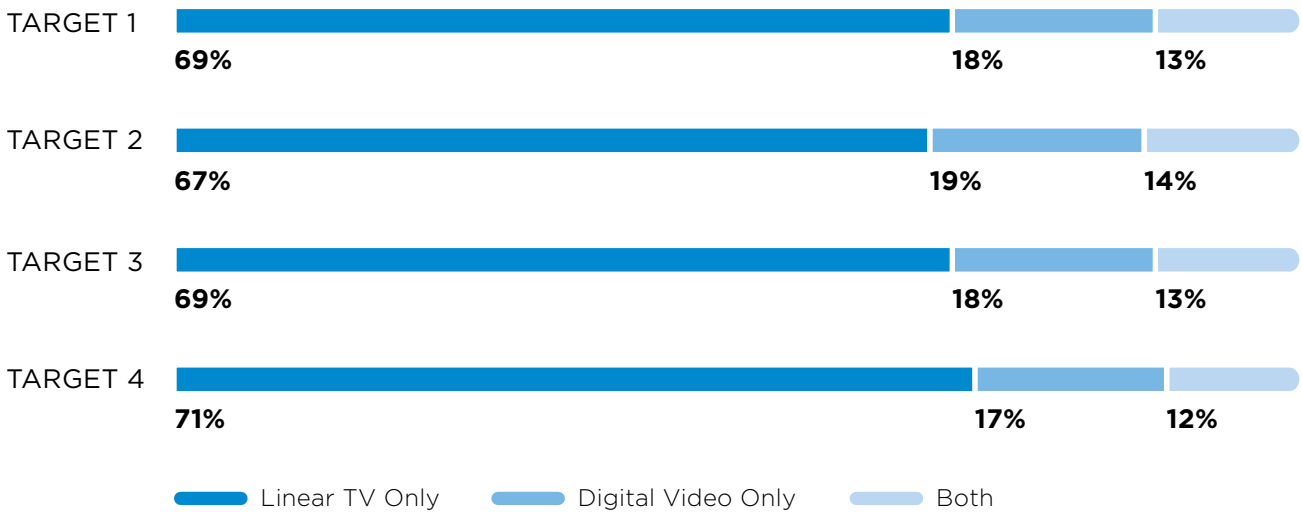


- Also Reached on Linear
- Not Reached on Linear

**OTT can deliver not only optimal reach but also optimal frequency for advertisers using cross-platform tactics.**

A tier two auto group in Chicago identified four target audience segments. They were able to add incremental reach to their linear campaign across all targets through digital video. The digital/OTT portion of the campaign accounted for 17-19% of the total campaign reach across targets.

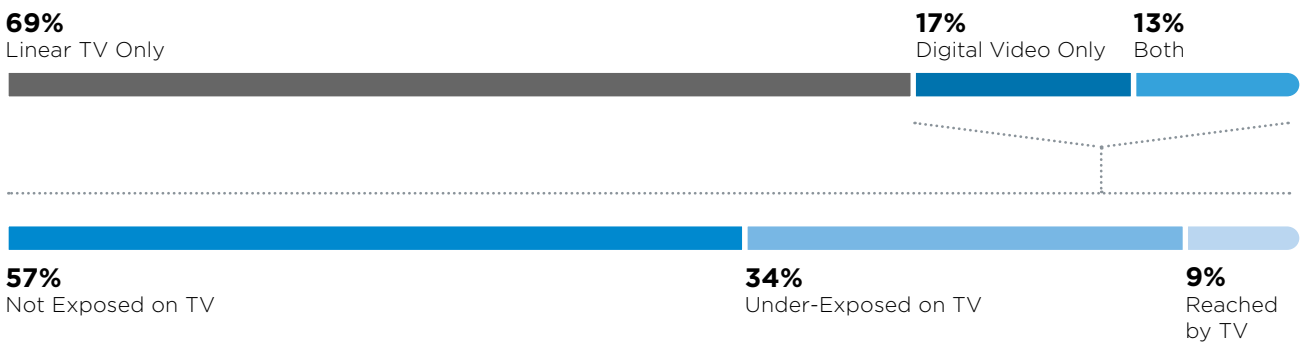
**CAMPAIGN REACH BY TARGET**



Source: Effectv campaign analysis, Chicago tier 2 auto group, 4Q19

Not only did digital help to extend the reach of the campaign, but it also helped to deliver households that were underexposed (frequency < 3) on the linear side. When we dig deeper into the digital reach of the campaign, two-thirds of the total digital reach was either not reached on television or not reached effectively (underexposed).

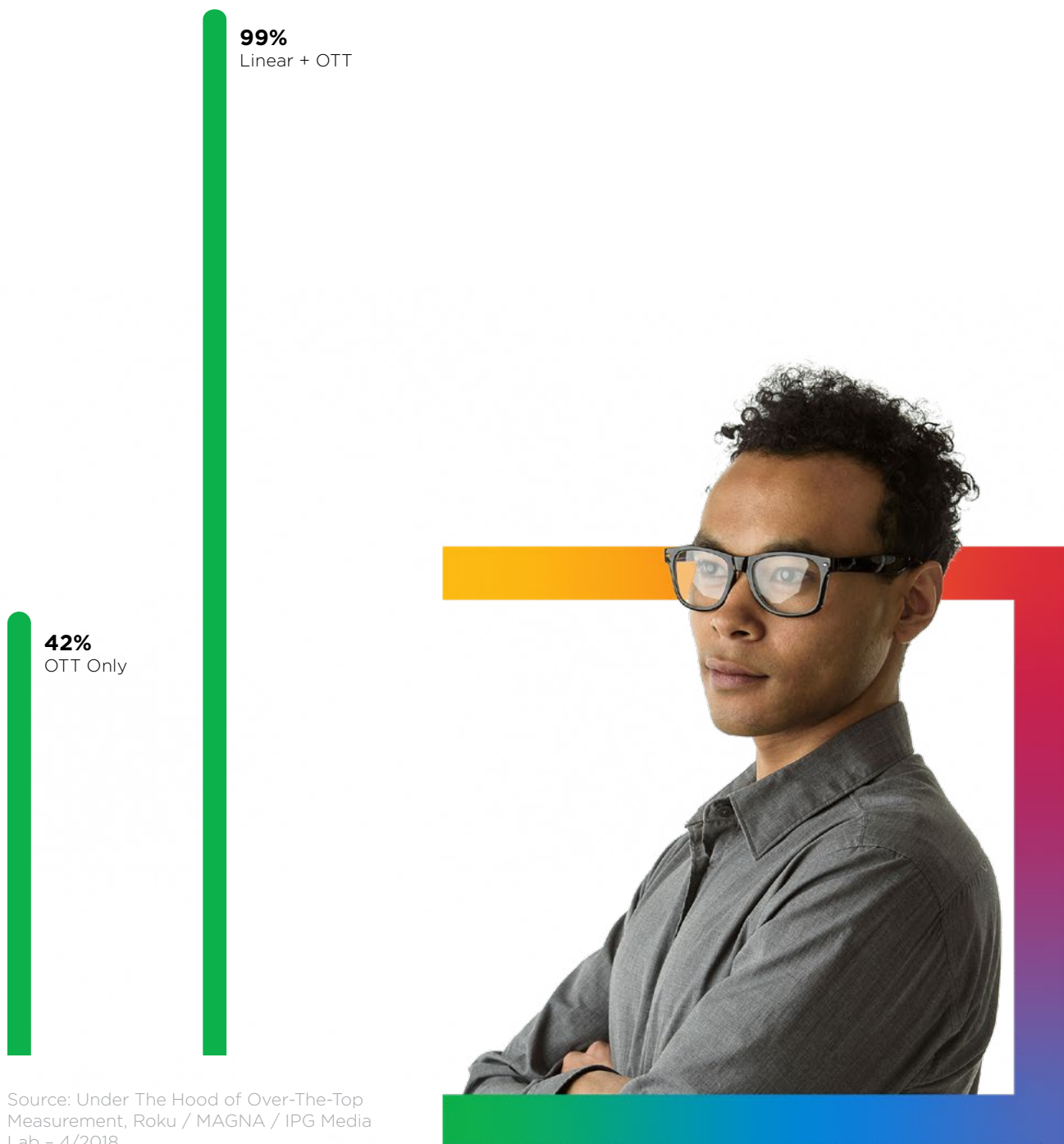
**CAMPAIGN REACH BY PLATFORM**



Source: Effectv campaign analysis, Chicago tier 2 auto group, 4Q19

Reach is one thing, but results are another. The combination of linear and other forms of TV can drive business outcomes for brands. In a Magna study in partnership with Roku, the combination of linear + OTT was found to have significant lift on brand health metrics.

## BRAND FAVORABILITY LIFT



Source: Under The Hood of Over-The-Top Measurement, Roku / MAGNA / IPG Media Lab - 4/2018

# SUMMARY

---

OTT represents a growing media platform for advertisers, but it's important to keep that growth in perspective. Even within households that subscribe to an SVOD service, traditional television still accounts for the majority of viewing and when considering advertiser-supported video, linear TV's share is still king.

However, you can no longer ignore the importance of exposure on alternative screens and platforms. OTT represents a smart way of buying television, especially in younger demographic segments. Data-driven capabilities across all TV, including linear, demand a multi-screen approach to maximize scale.

Ultimately, it comes down to finding the right audience, no matter the screen or the device. By combining OTT with STB VOD and linear TV, advertisers can attain their optimal reach and frequency while upholding key metrics like engagement and brand safety.

A data-informed, audience-based, multi-screen approach is essential in this fragmented ecosystem. OTT as a complement to data-driven linear should be part of a well-rounded total TV media plan, weighted properly to true consumption and campaign goals.

