

VIDEOWEEK ▶
RESEARCH

THE FUTURE OF CTV ADVERTISING IN EUROPE

JANUARY 2021

Commissioned by:

 **PubMatic**

CONTENTS

Methodology	3
Key Findings	4
European Market Overview	7
UK	10
Germany	14
France	18
Italy	23
Spain	28
Sweden	34
Recommendations	38

INTRODUCING

VIDEOWEEK RESEARCH

VideoWeek Research is a division of VideoWeek (formerly Video Ad News, founded in 2010), the vertical-leading trade publication covering the video and CTV advertising market. Our mission is to leverage our uniquely strong international network and years of experience to provide market-leading insights.

As the video and CTV advertising market becomes increasingly complex, stakeholders increasingly require research that is rooted in data and backed by integrity. Our aim is to help customers and the wider market grow by giving them the information required to make the right decisions with confidence.

www.videoweeek.com

PubMatic

PubMatic (NASDAQ: PUBM) delivers superior revenue to publishers by being an SSP of choice for agencies and advertisers. PubMatic's cloud infrastructure platform for digital advertising empowers app developers and publishers to increase monetization while enabling media buyers to drive return on investment by reaching and engaging their target audiences in brand-safe, premium environments across ad formats and devices.

Since 2006, PubMatic has been expanding its owned and operated global infrastructure and continues to cultivate programmatic innovation. Headquartered in Redwood City, California, PubMatic operates 14 offices and eight data centres worldwide.

www.pubmatic.com

Methodology

This study covers six markets; the European 'Big 5' markets of France, Italy, Germany, Spain and UK, as well as Sweden.

The 'Big 5' commonly denote the countries with the largest populations in Europe. By extension, they are also the top media markets in many regards and most notably, Europe's biggest TV advertising markets. In addition to their size, their geographic distribution from Western to Central Europe and across North and South makes them compelling entities in comparative studies.

We have also included Sweden in order to get a reading on Nordic markets. Sweden also operates as a corrective factor - it is a market that experienced a relatively late liberalisation of the free TV market and the ad funded TV model, paired with one of Europe's highest broadband and Pay TV penetrations.

Due to the still nascent stage of the CTV market in Europe overall, we have deliberately focused on a curated selection of markets. We believe that the different stages of development exhibited across these markets will serve as a bellwether and provide opportunities to apply learnings to adjacent markets as well. In future studies, we plan to widen the scope to include additional markets.

Between July and October 2020, we conducted 60 in-depth interviews in the markets under study across the buy (agencies and advertisers) and sell side (broadcasters and publishers). In addition, we have gathered data on connected TV penetration, broadband infrastructure, SVOD uptake, and advertising expenditure in order to develop scorecards for market development and opportunities. These scorecards have been blended with the feedback from interviewees.

The choice of methods reflects the emergent state of CTV advertising. Standardised questionnaires would fail to capture the nuance between countries, company-specific approaches and the crucial role of specific trading cultures and local market structures. Indeed, a too rigorously quantified approach would introduce error and prediction bias. We believe our methods provide direct and granular feedback from each markets with a view to ensuring our recommendations for market development are relevant and practical.



KEY FINDINGS

Two Speed Europe

Market participants in the European connected TV (CTV) advertising space are moving at two different speeds. Large global players, often with unified content, technology and data infrastructure, are moving quickly to disrupt the market. Local players are moving more slowly, but are nonetheless actively deploying next generation TV advertising solutions. However, adapting existing market structures and incentives to a CTV-first world remains challenging and complex.

Local Innovation is Ramping Up

CTV in Europe has moved from abstract intentions to tangible solutions. While the industry has been talking about CTV for the last ten years, most markets in this study exhibit an unprecedented density of initiatives and market offerings that have just been deployed. Respondents agree that Europe as a region for CTV advertising lags behind the US, but that in the last 12 months markets have broken through the glass ceiling of innovation.

Programmatic is Moving from Afterthought to Infancy

In most markets, CTV has been an evolution from broader addressable TV offerings. The combination of this heritage, paired with concentrated high quality supply and the need to develop a roadmap for CTV first, has meant that programmatic has thus far been an afterthought. While programmatic CTV advertising is small in comparison to the US, the sell-side is already building for a future where programmatic advertising will be a driving force for future growth. The buy-side sees programmatic advertising as a means of bringing their own data to CTV advertising.

The TV Heritage Conundrum

Many TV industry respondents were hamstrung by internal competition and a continued focus on the core revenues generated through linear TV advertising. While CTV is universally acknowledged as a growth area, development is under-resourced compared to the magnitude of change imposed by the diffusion of connected devices and new market entrants.

Incrementalism vs Market Making

Respondents recognise incremental development is the most practical, economical and uncontroversial path to CTV advertising offerings, but that they are missing out the opportunity to stake their claim in TV's fastest growing sector. There is widespread concern that deploying incremental innovations leaves the making of the market to internal dynamics, TV manufacturers, new streaming services and platform operators.

Paying Lip Service to Collaboration is Not Enough

Incumbents recognise that the CTV advertising market will need to be proactively built through systematic collaboration between local and regional players. Yet developing sustainable alliances requires overcoming entrenched views of friend and foe, robust governance structures, universal standards, and data sharing beyond mere sales house integration.

Double Fragmentation Creates Friction for Buyers

Buyers need CTV advertising to work in a frictionless manner across sell-side offerings. However, inventory currently resides in multiple silos. Traditional TV advertising owes its success in part to the ability to deliver reach across different broadcasters in a harmonised manner. Yet individual CTV advertising deployments from broadcasters and limits of technical interoperability currently restrict the ability to recreate this benefit in the domain of CTV. This is further exacerbated by TV manufacturers and digitally native CTV platforms who have introduced additional CTV ecosystems which are often proprietary and lack interoperability.

Buy-Side Power has the Potential to Erode TV's Moat

The spend controlled by agencies has so far acted as a moat that protects incumbent TV players. Rebates and deal structures have so far kept TV relatively immune from falls in spending as agencies had a commercial self interest in allocating ad spend to TV. But shifting advertiser expectations in measurement, targeting and reacting to consumption change is expected to upset the existing trading advantages of TV.

Widening Pool of Advertisers Expands Revenue Opportunity

CTV advertising's ability to provide more granular target group segmentations and campaign delivery options widens the pool of potential advertisers. In particular in the least mature markets, brands that have not previously booked TV campaigns are among the early adopters of CTV advertising. This opens a diverse pool of new spend, including local/regional advertisers and direct to consumer (DTC) brands.

Crossing the Psychological Threshold towards a 'CTV-First' Future

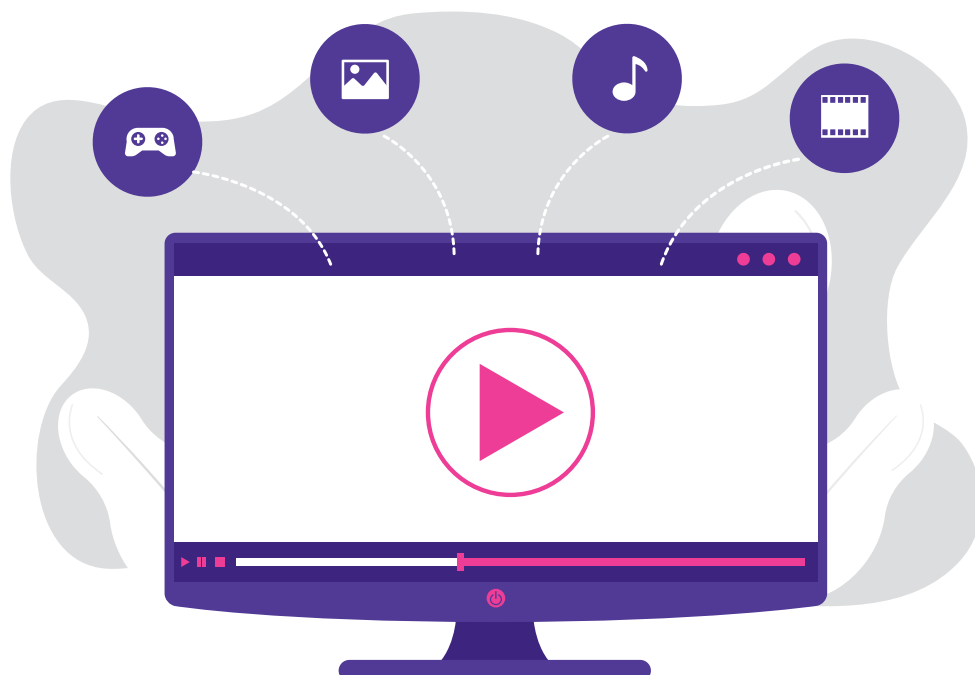
CTV advertising is regarded by some as a bolt-on to 'digital' and not as the reality of how TV advertising will look in the 21st century. Respondents highlighted how these industry attitudes have created a psychological barrier when it comes to accepting the need to redefine the business of TV, hampering the necessary investment in CTV apps, data strategies and the deployment of programmatic technology.

Protecting Market Sustainability Through Managed Innovation

Europe's sell-side and media owner ecosystem has had a stronger grip on TV advertising market development than other regions. This has helped create sustainable markets based on consensus where advertising served every agent in the value chain. Respondents stress the need to balance fast innovation with an approach that simultaneously maintains the health of the TV ad ecosystem during the transition phase to CTV.

Digital Acceleration During Covid-19 Exposes Strategic Weaknesses

Connected TV has seen a sudden consumption surge across all markets in this study during the coronavirus pandemic and has benefitted from the 'digital acceleration' seen in other parts of the economy. Respondents believe that these new viewing patterns will persist. However, there is broad agreement that the commercial benefits are unevenly distributed. There is a gap in the speed between these changes and local roll out of CTV advertising offerings. Respondents highlight a material risk that this void is being filled mainly by SVOD providers, with international ad-funded offerings from platforms and hardware providers following suit. So far, TV advertising markets in Europe are still dominated by local incumbents, but the current pace of local CTV advertising development has been too slow, opening the gates for new entrants.



EUROPEAN MARKET OVERVIEW



DEFINING CTV ADVERTISING IN EUROPE

When it comes to defining connected TV (CTV) advertising, we encountered not only a lack of consistency in what constitutes CTV across different markets, but we also found an array of definitions within markets.

For some, it's any TV connected to the internet. For others, it's smart TVs, or even on-demand only. And in markets where HbbTV and IPTV are prevalent, there was no consensus on whether those technologies constituted "connected TV". In one market HbbTV is regarded as connected TV, and in others it isn't.

This presented a dilemma when carrying out the research. Do we try to impose a standardised definition across Europe, or do we tease out the local definitions? We opted for the latter approach in the belief that readers would be best served by understanding the nuances of each market. However, in the recommendations section we strongly suggest that the industry makes moves to develop a common language, a CTV lingua franca, if we are to build the European CTV advertising market.

For our purposes, we regard "connected TV" as an overarching umbrella term. Our definition is simply any TV that is connected to the Internet, and when it comes to advertising it's simply any ad displayed on a TV screen that is delivered via the Internet.

CTV AD MARKETS IN EUROPE ARE LOCAL AND DO NOT CROSS BORDERS







The CTV advertising market in Europe continues to be relatively small. Whilst the United States has seen a huge surge in CTV consumption and rapid growth in ad-funded CTV, the pace of change is slower in Europe. The main driver in the US has been the high cost of pay TV services. Respondents across markets have highlighted that comparisons with the US are misplaced, and that each market needs to be developed proactively. Europe has a very different set of market

dynamics, cultures, languages and media consumption habits. Free-to-air TV channels and public service broadcasting continue to be popular, and each market relies on different sets of technology and infrastructure.

Whilst there is reason to be optimistic that CTV advertising will see continued growth in Europe, local markets will move at different speeds. If markets stay on their current trajectories they might also be heading in different directions, which is likely to inhibit the net growth of the European market. This was a recurring theme throughout the interviews for this study. Respondents acknowledged that each market has to get their house in order, and some additionally suggested that national markets by themselves might be too small to compete on a global level. A single European market for CTV therefore does not (yet) exist, but cross-country collaboration is seen by many incumbents as a critical factor for enabling competitiveness and scale.

STRUCTURAL FACTORS

A comparison of structural factors helps understand the differences between markets for the immediate take-up potential of CTV advertising. We have identified a range of factors which are outlined in the comparison table below. However, it's important to stress that structural factors provide an incomplete perspective. Only an overlay of local trading cultures provides an accurate picture of the potential of CTV advertising. For instance, while Sweden scores highly on macro-enablers, our interviews reveal that from an advertising trading perspective, it has far less immediate potential.

	 UK	 Sweden	 Germany	 France	 Spain	 Italy
TV Ad Spend Per Capita	73.3	54.4	54.8	51.5	47.4	65.9
Digital Display Ad Spend per Capita	129	86.2	47.2	51.4	41.6	35
Viewing Patterns	Good	Good	Medium	Medium	Good	Poor
Cord Cutting	Good	Good	Medium	Medium	Poor	Poor
Broadband Infrastructure	Good	Good	Good	Good	Medium	Medium
Connected Device Penetration	Good	Good	Medium	Medium	Medium	Poor

France, Germany, Spain and Sweden have similar TV ad spend per capita, which is an indicator of the market maturity. Italy is an outlier due to the fact that Italian TV has historically had the highest share of ad spend of all European markets. The UK's even higher figure is an expression of the country's overall strong reliance on advertising. Display-based digital advertising (banner and videos) is more unevenly distributed. The TV ad market is exposed to higher disruption from digital channels from mature digital markets like the UK and Sweden.

Against this picture, combining the pace of linear viewing erosion, the rise of cord cutting, the availability of broadband infrastructure and connected device penetration provides an indication of the immediate market opportunity and short term growth potential for CTV advertising between markets. These factors show a North South divide in Europe. Accelerated viewing erosion and cord cutting in France and Germany could drive faster development of CTV advertising, whereas Spain and in particular Italy face infrastructural challenges.

BUY-SIDE PERCEPTIONS ARE ALIGNED ACROSS EUROPE

The views of buy-side participants on CTV advertising are similar across European markets. Their main prerequisite to invest in CTV advertising beyond experimental buys is the ability to bring their own data to the table for targeting, combined with measurement. While buyers in the UK were satisfied with these abilities being progressively expanded, participants in other markets expressed frustration with local players' limited efforts to open up data and measurement.

SELL-SIDE APPROACHES ARE LOCALLY SPECIFIC AND FRAGMENTED

In contrast, sell-side attitudes to CTV advertising from incumbents differ greatly between markets. Local trading cultures have grown historically and take time to change. Markets also operate on different HbbTV standards for addressable TV, with varying degrees of investment in HbbTV and willingness to expand offerings. While the need for collaboration is widely acknowledged, the practice of collaboration varies widely. Alliances like d-force in Germany suggest that collaboration is viable, the UK has a range of - sometimes rival - initiatives available that the market can align on, while in Southern Europe CTV advertising collaboration remains mostly a declaration of intent rather than actual practice.

COMMON SELL-SIDE CONCERNS FROM INCUMBENTS AROUND DATA & LOSS OF CONTROL

There were some commonalities on sell-side. For example, concerns about the potential loss of control over their inventory and the need to protect the viewing experience were recurring themes in all markets. For some, programmatic is not seen as a key component of a first CTV roll-out, partly due to the scale required to make data-driven advertising effective, but there was widespread acknowledgement of its future importance and the need for early experimentation.

BUY AND SELL-SIDE UNITED IN FRUSTRATION WITH TECHNOLOGY LIMITATIONS

Both the buy and the sell-side were united in criticism of what is currently possible with data and measurement. CTV hardware and infrastructure not yet equipped for fast enough measurement, fraud detection etc. This means that service components from the digital world that are expected to be part of the CTV world, collide with the reality of the hardware technology in connected devices.

A senior executive at a market leading CTV app development company said, "Once your app is ready, you need to get the application certified. It goes to each manufacturer and each platform and you wait for validation. Then there is the need to certify the app for different generations of chipsets. But not all TVs and chipsets can be tested because the ones in the test lab are different from the ones in the wild. An issue could come about with a specific model because they may have added software that takes up more memory, and you can suddenly end up with performance challenges for your application. So even if you have set up cross-platform framework or development platforms, you still end up with challenges that make it difficult to roll out something and cover 100 percent of the big screen devices."

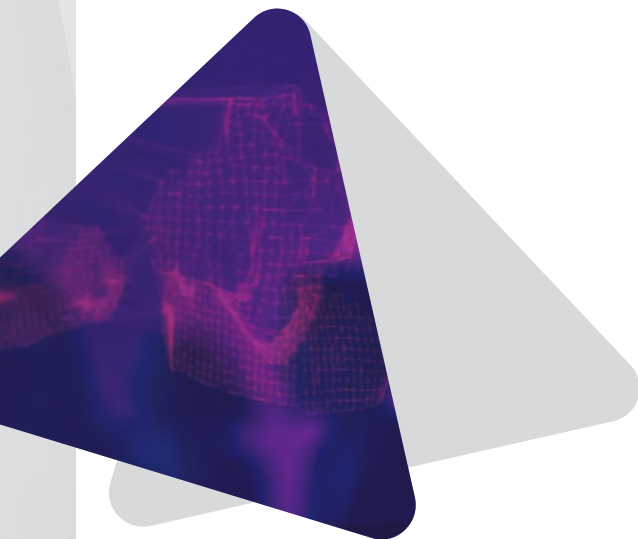
AGENCIES DOMINATE DEMAND IN EUROPE, BUT CTV IS LIKELY TO OPEN UP NEW ADVERTISERS-DIRECT BUSINESS

Historically, the vast majority of TV ad spend (85% to 90%) of the markets studied has come from agencies, with a small set of direct relationships between advertisers and inventory owners. The rise of CTV has the potential to shift this balance to more advertiser-direct relationships for broadcasters and other CTV publishers as traditional access barriers of high production costs and national reach are eliminated. Indeed, in some markets like Italy and the UK, we observe advertisers that have not used traditional TV advertising before embracing CTV. Yet overall, this remains a small portion of total spend. Most sell-side respondents stated that +90% of their CTV inventory was sold to agencies.

However, as programmatic CTV advertising is introduced, many respondents expect to see more revenue coming directly from advertisers. Respondents consider underlying drivers to be increased in-housing particularly at web native brands, direct to consumer brands expanding from direct response to brand advertising and regional advertisers taking advantage of geotargeting features in CTV advertising.

PROGRAMMATIC DEVELOPMENT

Compared to the US and the wider proliferation of programmatic advertising in the open web, all of the six markets CTV studied are in the early stages of their programmatic development, although to varying degrees. Across Europe we're seeing some early experimentation with programmatic trading, particularly with private marketplaces (PMPs). Yet currently, demand exceeds available premium supply, which is holding back more extensive programmatic approaches



UK



France



Germany



Italy



Spain



Sweden

PROGRAMMATIC CTV MATURITY

Advanced

Intermediate

Intermediate

Nascent

Nascent

Nascent



UK

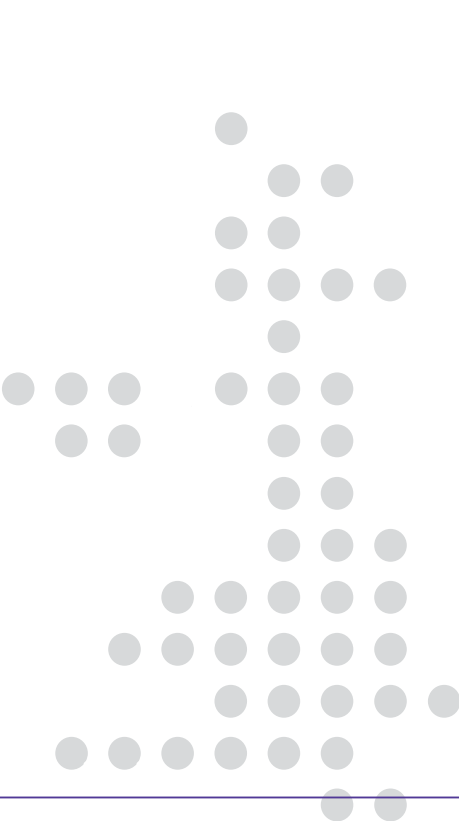
EXECUTIVE SUMMARY

The UK is the most advanced CTV advertising market out of the countries in this study. Local incumbents have invested in sophisticated programmatic and data strategies and the evolution of the market could prove to be a bellwether for the future of CTV advertising in Europe. Agency operations have developed faster than in other European markets. Yet a lack of available inventory and ongoing discussions about measurement are signs of how the market is not yet living up to its revenue potential. Competition from non-incumbents is high, driven by the UK's strong heritage of OTT video and diffusion of SVOD services. Interviews suggest that the UK CTV advertising landscape is poised to evolve quickly over the next few years. Both buy- and sell-side are seriously invested in CTV as a future media channel fuelled by consumption changes and competitive dynamics.

TRADING LANDSCAPE

The UK is Europe's most advanced CTV advertising market. There are a few reasons for this. London continues to be a key hub for advertising and ad technology in Europe, and the cultural and linguistic ties with the United States has meant that both ad tech and consumer-facing devices are often introduced earlier in the UK than elsewhere. But credit should also go to homegrown pioneers, most notably Sky, who were the forerunners in pushing the addressable TV advertising market via their AdSmart product. Some of the leading sales houses - most notably Sky, Channel 4 and ITV - have started to develop their first-party data strategies and are facilitating data matching, enabling advertisers to bring their own data to the table.

The vast majority of CTV advertising in the UK is bought mainly by media agencies and a relatively small amount is currently traded on the open marketplace. However, the UK market leaders have made serious moves towards integrating data into their offerings, using not only their own first party data, but also by enabling advertisers to bring their own data to the table via privacy-compliant data matching. Channel 4 announced data matching in 2020 and ITV's new Planet V platform provides advertisers with access to a self-service platform from which they can discover the inventory available, plan, purchase and report on performance. ITV's VOD service, the ITV Hub allows buyers to layer on different targeting options from within the platform and see the price change in real-time as they alter their parameters.





Market Drivers

PROGRAMMATIC DEPLOYMENT

Although the UK market is relatively advanced by European standards, programmatic CTV advertising is still in its infancy. One UK agency executive said:

“The reality is a lot of broadcasters can see the value in programmatic trading and are shifting more inventory to this method of buying. It is likely that this will be the primary method of buying inventory. ...with the exception of a few clients who might not want to buy that way.”

Whilst the UK CTV advertising market is dominated by the top broadcasters and sales houses such as ITV, Channel 4 and Sky Media, the market is also being driven forward by a number of smaller (in terms of inventory volume) but well-backed new entrants such as Samsung Ads, Roku and Pluto.tv, and many of these players have been making their inventory available programmatically.

However, not all feel they're getting their fair share of CTV ad spend. One platform owner said, “The broadcasters are dominating this market because the trading deals that they've set with the agencies is a share-based deal for linear TV, and a volume-based deal for video. And we're seeing some agencies who are so over committed to the broadcasters that all of their video spending goes to the broadcasters.”

PRIVACY & IDENTITY SOLUTIONS

Many of the respondents from the UK TV industry said the ability to use data for targeting and to open up TV advertising to a wider pool of advertisers represented a big opportunity for future growth. The new wave of digital-first direct-to-consumer brands (DTC) and regional advertisers were commonly cited examples.

The major broadcasters have invested in first party data solutions, and advertisers will be able to bring their first party data to the table with data matching solutions that

appear, for now at least, to be compliant with GDPR regulations. However, some say the technology is still quite cumbersome and time consuming to implement. This represents a potential opportunity for agencies as technological complexity is creating a need for specialist identity-related services.

TRADING CULTURE

CTV is challenging the engrained trading culture of TV, which is still separated from a digital trading culture. While both worlds increasingly converge in the minds of consumers, this is not yet fully reflected in how agencies approach TV. One platform owner said that the generational change in media buying and decision making would impact the market over the coming years. “As you move forward in time, you'll get the next generation coming through who think 'CTV-first' when they think of television. Every time we see new promotions and moves within agencies, it becomes increasingly apparent that the decision-maker has that type of thought process these days.”

COLLABORATION & STANDARDISATION

Whilst the UK TV advertising market is fragmented, there is an ongoing dialogue between the key players on how to align on standards. However, it is early days, as evidenced by one pay TV operator's comments, they said:

“I think what the connected TV ecosystem needs are some kind of standards that everybody aligns to, so that when advertisers are seeing connected TV on their marketing schedule, they know what it is, and they've verified that it's what they think it is, and they trust where their ads are going.”

But over the coming years respondents expect to see the CTV landscape simplified for buyers so they can manage CTV advertising on a like-for-like comparison basis across systems and platforms.



Market Inhibitors

MEASUREMENT

Several respondents highlighted that CTV advertising budgets can only scale to match viewership changes if robust measurement is in place. One interviewee stated:

“Over time, the ad money does gradually migrate towards the places eyeballs are. But [in CTV] it doesn't happen, as it should do, in an economically perfect fashion. However, for every day that goes by, a bit more money is going to the right area.”

While robust measurement still appears to be lacking, there is hope that the gradual budget migration can be accelerated through new initiatives. A broadcaster said that improved measurement using Sky's C-flight product had enabled them to conduct further research into the effectiveness of advertising on the big screen vs. mobile and PC devices.

Yet more fundamental measurement issues remain as competing definitions of CTV hamper a clear consensus on what should be measured and how different platforms and ad propositions can be compared.

SUCCEEDING IN CTV ENVIRONMENTS ISN'T ALWAYS EASY

As a category CTV is undoubtedly growing rapidly and most respondents said it was the fastest growing part of their business and will be the medium that future advertising models will be built on. But not all sellers are finding it easy to grow their inventory volumes to support their future models. One executive from an international broadcaster said “We know CTV is a growth area. We know that it's massively demanded by advertisers. And yet, even knowing that it's been very difficult to grow inventory and connected TV from

very low amounts [...] We have noticed that sometimes viewing on CTV is not quite as strong as you would hope, based on what the rest of the industry says happens.”

UNEVEN REGULATION

Regulation is another issue, as online platforms and TV broadcasters are regulated differently by the Advertising Standards Association (ASA) when it comes to the number of minutes of advertising they can show per hour, the type of ads they can show and when they can show them. Those concerns were shared by buyers. One agency executive said:

“The lack of common ground on regulation is probably the thing that concerns me the most. The national broadcasters are typically held to fairly high standards around things like content and their advertising experience [...] and then you look at the digital competition, there isn't any regulation. And that gives digital platforms such a massive advantage.”

ALTERNATIVE BUSINESS MODELS

Broadcasters used to compete head-to-head with one another based on their content investments. Some respondents expressed concerns about how they now face competition from players who don't necessarily need to generate a direct return from their video offering, such as Amazon. One CTV platform said, “Other platforms are disproportionately manipulating the price of ads or content according to revenue streams from other businesses and not being held to account for these practices. This means we are seeing an uneven playing field in the UK.”



Looking to the Future

POWER TO THE PLATFORMS

The growing power of international CTV platforms was a growing concern for local inventory owners. Whilst the platform landscape is fragmented today, many expect it to consolidate over the coming years and the power of the platforms - who typically expect a slice of a content owner's inventory or revenue - is likely to grow. One broadcaster described it as a "chokehold" on the industry and said that anxiety was growing as they expected that "platform consolidation will in all likelihood be confined to a very small number of powerful global technology players."

PROGRAMMATIC & HEADER BIDDING

Views on the role of header bidding as a prospective solution varied. "Ultimately, what you're trying to do is get multiple demand sources to compete, and we kind of learned the value of that when we started

to build private marketplaces. So I think the short answer would be yes, we'd be interested," said one UK broadcaster.

However, others were more wary, linking the rise of header bidding with an accelerated transfer of market power to few intermediaries in the wider programmatic advertising ecosystem. For instance, another broadcaster said "We've seen what header bidding has done to the display market. And we've seen, how it has essentially consolidated power into a number of very few very powerful operations that specialise in that area. And I think it would be remiss of the broadcasters and major players and CTV to replicate those models."

A CTV platform owner said:

"CTV is only now getting its head around ad bots, holistic optimization of the way that those work, how you avoid ad clashes etc, whereas all those things are old school in linear, and just haven't really been here today. I think CTV is playing catch up. And I fully expect header bidding to be part of that."



GERMANY

EXECUTIVE SUMMARY

The German market is evolving into one of Europe’s most interesting and innovative CTV advertising markets. Local broadcasters have been at the forefront of HbbTV innovation and HbbTV advertising looks set to reach a meaningful scale just as new addressable advertising features are due to launch. There’s also an exceptionally large amount of seemingly robust collaboration taking place on CTV and joint identity solutions, and the market is seeing mid to long tail CTV apps emerge. However, as with all markets, local incumbents are under considerable pressure from US tech giants and there are growing concerns about whether the homegrown industry is moving quickly enough on programmatic deployment.

TRADING LANDSCAPE

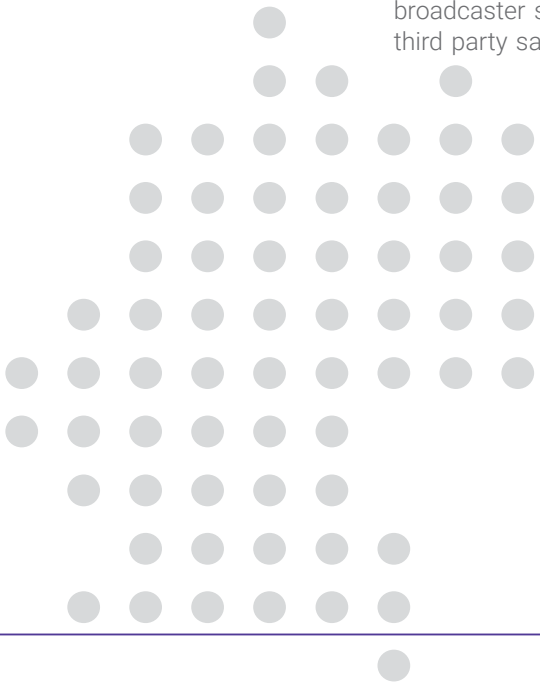
The German sell-side is traditionally more concentrated than in other markets with ProSiebenSat.1 and RTL commanding around 80% of TV ad revenues. This dominance also extends to OTT video, excluding the global platforms, where the broadcaster sales houses have taken over third party sales house functions for other

media properties. But this landscape is changing, as one broadcaster stressed:

“The landscape in Germany changed somehow. It was once dominated by SevenOne Media in Munich and RTL in Cologne, with all of the other commercial broadcasters below them, and then the third tier consisted of the public stations. So the roles used to be pretty clear. But now it has changed and it’s the German market against Google and Facebook.”

German broadcasters have attempted collaboration early in the CTV and addressable TV space in a bid to set themselves up against external competition. While regulators used to inhibit such initiatives on competition grounds in the past, the climate has become more favourable, which lead to some of the most advanced collaborations in Europe:

“There were a few serious attempts in Germany in the past, which were shot down by the regulator, between public and private broadcasters, and between the giants RTL and ProSiebenSat.1. We had Project Amazonas and Gold, but it did not get regulatory approval. Now everyone is realising that collaboration is needed for German players to succeed. So finally the regulator sees it and we could do things we could not do five years ago.”



Today, German broadcasters are collaborating in multiple domains, from identity (NetID), over ad sales in the OTT and addressable space (d-force) between ProSiebenSat.1 and RTL; as well as on joint OTT app Joyn, a joint venture between ProSiebenSat.1 and Discovery. A broadcaster says:

“The landscape for me really changed with d-force, it is a strong signal in the market that the old rivalries between the broadcaster giants are being overcome, that people do not just talk about working together, but really do it. There is still work to be done, but it is a great foundation for German players to keep competitive in the next wave of TV.”

Two schools of thinking about CTV have emerged.

“The big broadcaster players distinguish it from being a pipe which is typically HbbTV based, which is in linear and you can do things like spot overlaying. And CTV is more or less like the app world on a TV screen. CTV is very often sold within multi screen packages together with mobile and so typically video bookings.”

Although interviewees shared a view that the market is dynamic, there was also consensus that it is still small in terms of actual spend.

“HbbTV is a good business, but it’s small in the scheme of things. Connected TV is like everything happening on smart TVs or set up boxes. And I’d be surprised that if we take everything together, it would be more than €80m,” one broadcaster said.



Market Drivers

HBBTV

Germany is widely considered the birthplace of HbbTV, and broadcasters have adopted addressable solutions on this standard. While personalisation was limited before 2020, some recognise the new HbbTV-TA standard as a key enabler:

“HbbTV is growing nicely but we were limited what we could do, but with HbbTV-TA, we can substitute ad blocks for household targeted spots. Sometimes innovation is slower in Germany, but we want to do things properly to maintain the experience of TV”.

HbbTV is not confined to the large players anymore and has sparked a new dynamism in the market:

“If you look at Zattoo, they have a new deal with Panasonic based on HbbTV, where Zattoo can be set as the default for TV reception. Of course it is still small but developments like this are putting everyone under pressure to innovate. It also will have consequences how ad budgets are shifted although we are not seeing that now yet.”

MARKET EXPANSION THROUGH CTV APPS

There is a palpable sense of excitement among interviewees how CTV as apps on connected devices is expanding the market opportunity. One broadcaster said, “Everyone realises CTV could be the next big thing for 2020 and 2021. And everyone wants to get their business started. And to get revenues up and running.”

While market development used to be centered on HbbTV, the CTV ad opportunity is being redefined through a fast ascent of CTV apps, which in particular the buy side sees as an accelerant for CTV. One agency executive said, “Samsung recently opened an office, so it seems they are serious about Germany, and then you see Pluto TV which is available on all the Smart TVs, Amazon Fire and so forth. And no matter how big they are now in terms of advertising, it is going to mix up the market.”

A buyer remarked, “There is a fast growing long-tail of CTV app inventory, for instance from news brands. It is not all TV in the classic sense, and does not qualify for some buyers. But others don’t categorise TV in quite the same way. It is a blessing and a curse because long-tail inventory also brings about the question of and how premium value can be upheld and justified. But in the long-term I think that diversifying the pool of supply is a positive trend.”



PROGRAMMATIC DEPLOYMENT

Programmatic in CTV is still in its infancy and one seller estimated that programmatic is “still less than 5% but growing.” Yet broadcasters are serious about its role as a future transaction infrastructure:

“We have programmatic guaranteed, as well as private auction which is now getting started, but it is not big yet. The issue today is, what would you actually bid on, there is still limited supply. While it is not big revenue, we are investing in programmatic as it will become a key growth driver in the mid-term, so we are planning with it in our growth strategy.”

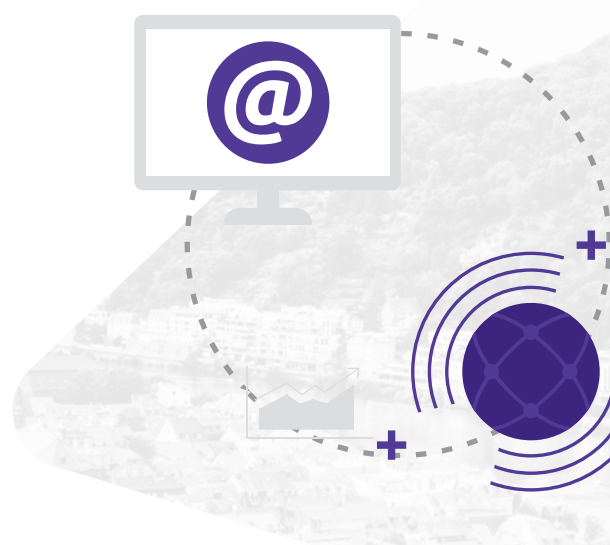
Yet the road to a programmatic CTV environment is stony. Despite the potential of programmatic, interviewees recognise that a lot of work needs to be done to make it practical. This means that programmatic today is not a market driver in the sense of attracting revenues, but that efforts to create an infrastructure for programmatic CTV are driving the market forward:

One agency said, “If the system is working and you have identifiers and everything in place, programmatic obviously could be a good thing to adopt. But I think there’s a long way to go in practice.”

DATA

Germany's efforts to build ID solutions like NetID, which enables users to log in to various sites using one ID and publishers to have a wider view on that user, are seen as a major strength over other markets.

A German broadcaster said, “The worst thing will be complete ID fragmentation and giving control over IDs to some foreign actors. We have done the best we can in Germany to avoid it. Is it enough? We don't know, but it puts us in a better place to use and combine data in a safe and compliant way than maybe other markets”.



Market Obstacles

INTEROPERABILITY & STANDARDS

Despite advances in forming data alliances, interoperability across inventory sources and buying systems remains an issue to overcome market fragmentation, as smart TV platforms and various ID players enter the market.

One broadcaster said, “There’s still a lot of work to do to make sure two machines can really talk to each other over time. Making changes on the one or the other side is really tough and a lot of inventory is not used effectively because of missing identifiers and two systems not talking the same language.”

As television always functioned as an interoperable system with common standards, broadcasters are keen to carry this over in the digital world. A broadcaster said:

“You have to have one ID in the market, we have Net ID launched by German media companies and you have LiveRamp in Germany, who are also trying to enter this market. But you need one unique identifier so everybody actually has the same user on his site. Otherwise, programmatic is really inefficient in the way that you don’t get a lot of inventory and you can sometimes still not measure it.”



Looking to the Future

HEIGHTENED COMPETITION

Competition will intensify materially over the next years according to interviewees.

One broadcaster said, "I think it will grow and it will grow quickly for everybody. But obviously for integrated systems it will grow much faster. So, for example, within the Fire TV world you will see an explosion because it's simply integrated and working."

This pressure from external market forces will lead to stronger pushes to accelerate local initiatives in a case of forced innovation. "Broadcasters have to align. That is the idea of d-force. If you can put everything into what feels like a walled garden, into an environment that is technically robust, then it will function effectively," one broadcaster said.

MANAGED VS RAMPANT GROWTH

Interviews revealed concerns of a clash between controlled and locally managed growth of programmatic and a programmatic infrastructure superimposed on the market by technology providers and platforms. An interviewer said:

"For programmatic to work in Germany, it needs to be closely managed and done in consensus with the TV players. But the worry is that we are sitting there in the committees and discussing standards and then the big American platforms and smart TV manufacturers say 'look we already offer programmatic' and then buyers adopt it and the market loses control."

Participants from the local buy and sell side express concerns that the CTV market will be split into two - the broadcaster market and the app market for other players.

REDUCING COMPLEXITY

The rush to innovation and seizing the opportunity of the CTV prize has sparked an array of 'quick fixes' that some market observers believe risks losing sight of the big picture. In particular the sell side is determined to solve the big infrastructural challenges first without losing momentum by integrating layers of additional technology or data solutions.

One broadcaster said, "You have so much innovation in the market and everybody's looking for integrating data up to the last whatever thing and you have a lot of small companies in waiting but they cannot put together all these bits and pieces. We try to connect a lot of different things to our stack, but in the end, everything is just making it slower."

Others agreed, advocating for simplicity in order to scale the market. Another broadcaster said: "And then you say let's just focus on getting the basic thing first done and then developing in actuality. The added value of too many small things is really tough. It's a little bit like Apple and why they beat the other devices - If I want to play music, you know and if I have 50 buttons and functions fade in, fade out, nobody actually wants those things."



FRANCE

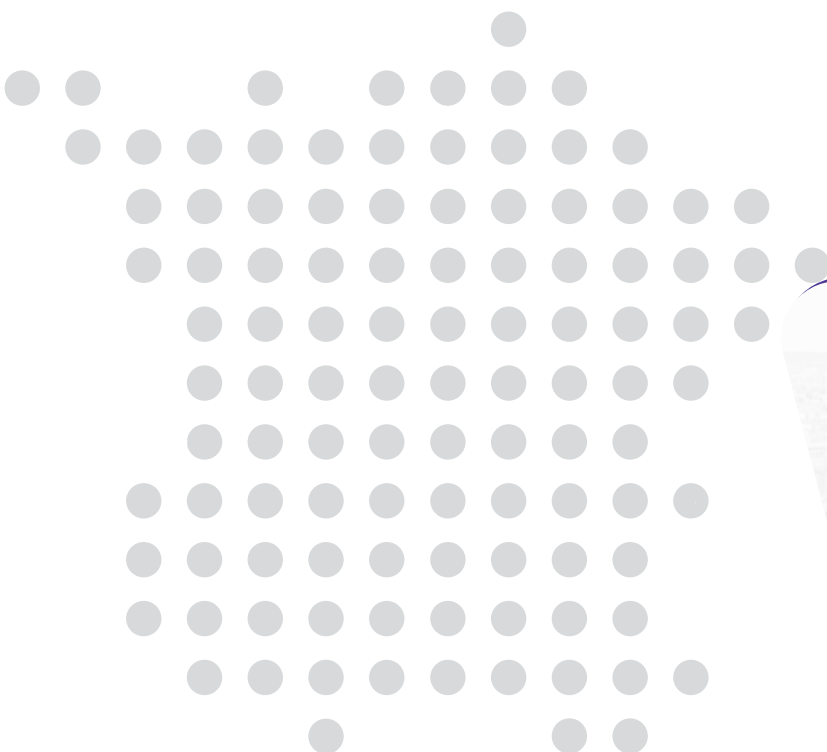


EXECUTIVE SUMMARY

France adopted IPTV earlier than most and it isn't long since many expected France to take a lead on CTV advertising in Europe, but in recent years many have started to question whether those early moves have become something of a poisoned chalice as IPTV handed control over data to the telcos who deliver pay TV services. However, France continues to be one of the most innovative technology hubs in Europe and long-awaited new regulations on addressable TV advertising look set to drive the market forward in 2021. The French market is seeing some green shoots when it comes to programmatic trading, and TV incumbents are eagerly awaiting the introduction of new HbbTV standards aimed at addressable advertising. Concerns over the growth of US tech companies are an ongoing concern but local collaboration efforts are underway.

TRADING LANDSCAPE

The vast majority of CTV advertising in France is bought by agencies. The dominant TV players include Groupe TF1, France Télévisions, Groupe Canal+ and Groupe M6. On the sell-side, the French media market has a well-established tradition of cooperation between digital media owners, and CTV has been no different. French broadcasters have been working on a number of interesting CTV products, the most notable one being Salto, "the French Netflix", an SVOD joint venture between Groupe TF1, France Télévisions and Groupe M6. Also of note on the innovation side is Boygues Telecom's decision to have their pay TV service feature as an app on Samsung TVs. The French market is entering an exceptionally exciting new phase as regulations have just been relaxed around targeted TV advertising, allowing market participants to make their first forays into addressable TV advertising.





Market Drivers

PROGRAMMATIC DEPLOYMENT

French advertisers and agencies are keen for CTV advertising to be made available programmatically. “If it can be automated, it should be automated,” said one French agency executive. On the sell-side, broadcasters have started to dip their toes into programmatic trading and attitudes towards the possibilities offered by automation and data-driven advertising were progressive and advanced.

One leading broadcaster said:

“CTV makes up 60 percent of our digital inventory and inside this, use programmatic commercialisation. Programmatic is 30% of the volume and 20% of the revenue of our sales, so it’s a major part of our strategy. And inside this connected TV inventory, a lot is sold programmatically. And we only sell those via deal IDs and agreements, so this is a very controlled sale, but it does go through programmatic pipes.”

DATA

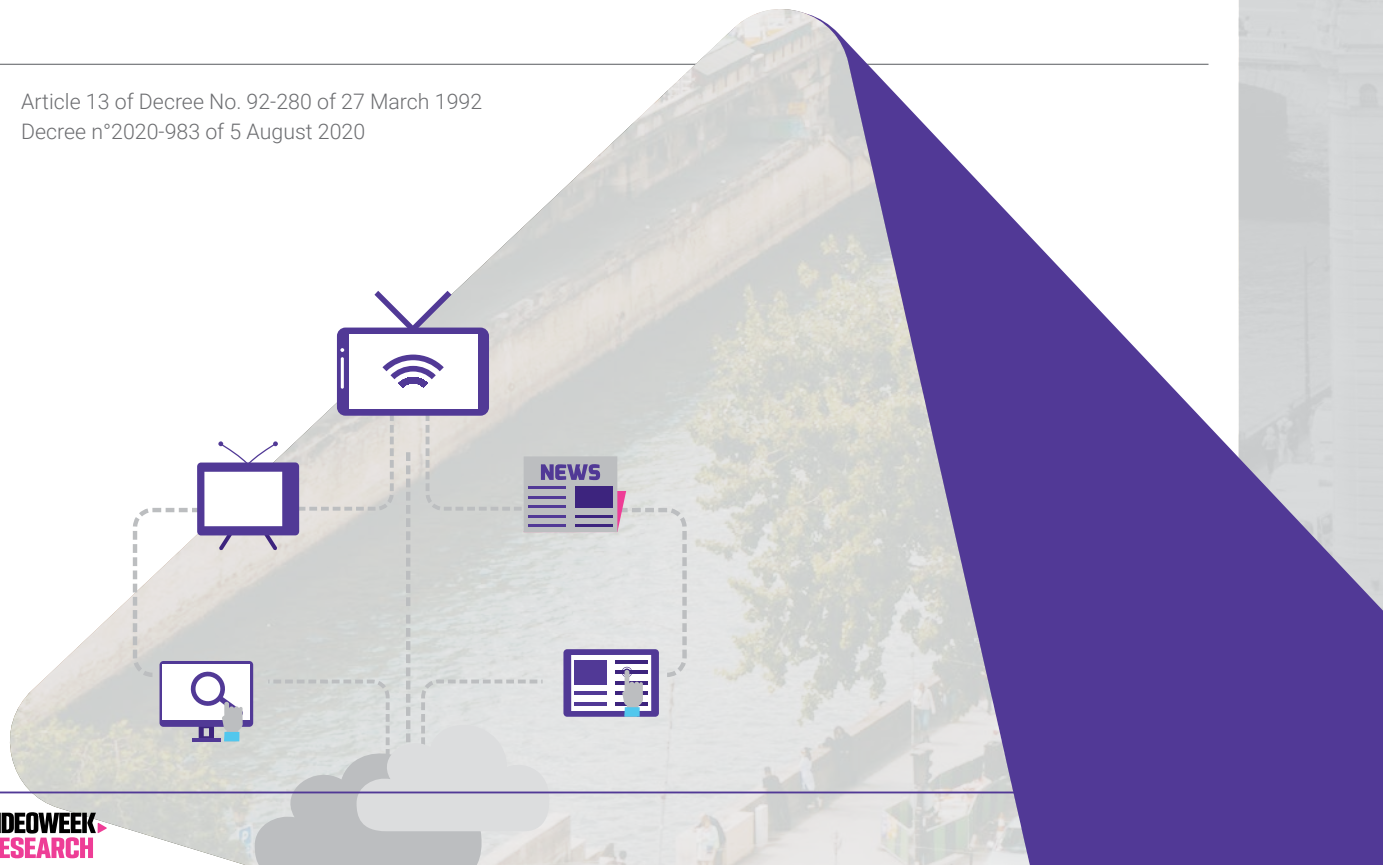
One broadcaster said they were bundling data with their inventory, but they were dependent on the ISPs for much of it. “We have partnerships and agreements with some of the ISP providers to add data about subscribers of the ISP contract. So we have data, which we have combined with other data sets. Advertisers can use their own data via their DSP, and then they can buy our inventory via PMPs or directly,” they said.

REGULATORY REFORM & ADDRESSABLE TV ADVERTISING

In 1992 the French government created a law stating that “advertising messages must be broadcast simultaneously throughout the service area¹”. This law forbid addressable TV advertising, but in August 2020 the Decree n°2020-983 of 5 August 2020 was came into effect, which allows French broadcasters to show different ads in different regions². As a result expected that the market looks set to expand significantly over the coming years.

¹ Article 13 of Decree No. 92-280 of 27 March 1992

² Decree n°2020-983 of 5 August 2020





Market Inhibitors

MEASUREMENT

As with all of the markets studied, measurement was a common concern. A leading brand advertiser said, "I would say the worst thing about CTV is measurement. It's one of those things that we really struggle with because of GDPR. We've been able to do cross-device in the US using IP addresses, and so able to see if someone watches an ad on the TV if they're on one of the devices connected to the same Wi-Fi network or IP address. I can't do that here in France."

A broadcaster felt similarly challenged by measurement issues. "If you invest in data, you need to prove your ROI to the advertiser, and it isn't always easy to demonstrate your ROI and recoup your investment as the tools and solutions aren't quite there yet. But in the future, when it comes to the use of data in our business, I think it will increase and if we talk again in a year, it will be totally different."

TELCO DOMINANCE

Whilst IPTV is a dominant mode of access in the French market, over the course of the last few years the mood has shifted amongst broadcasters. Now, many feel the current crop of IPTV services are unlikely to compete effectively with connected TV platforms that are entering the market. Some also said they don't feel the telcos have been proactive enough - or perhaps, incentivised enough - in developing the advertising market or assisting them in developing features.

HBBTV DEVELOPMENT

Some hope that in time HbbTV (hybrid broadcast broadband TV) could provide the answer. The theory being that the technology would allow the broadcaster to deliver content and advertising directly to a HbbTV-enabled TV set without the need for an intermediary platform. One broadcaster said, "I think on smart TVs what's holding me back is not having an HbbTV platform that really works."

One person from a trade association agreed, and said, "Right now we need the HbbTV-TA technology, which is the one for targeted advertising, but is only available on paper and it isn't available in the TV set hardware yet. So I think that's the number one reason the market is being held back."

COMPETITION REGULATIONS

Some of the larger broadcasters are restricted and aren't allowed to bundle TV and CTV inventory. One broadcaster said, "Legally we don't have the right in the upfront to bundle linear TV with connected TV, because of the strength and power of our company in the French market. But there is a big relationship between connected TV inventory and linear TV inventory. For now it's mostly the same big agency clients who are buying both."

PRICING

More than one major broadcaster said that price was an issue, as linear TV advertising is surprisingly cheap in France and CTV advertising tends to be more expensive.

One leading French broadcaster said that in order to overcome inevitable comparisons with linear TV, broadcasters would have to prove:

"The efficiency of targeting through connected TV, because at the moment it's maybe five or six times more expensive than linear TV, which is very cheap in France."



Looking to the Future

COMPETITIVE LANDSCAPE

As with all other markets GAFA (Google, Apple, Facebook and Amazon) were the top of most people's concerns when it came to their future. One French broadcaster said their primary concern was, "The aggressive and highly efficient moves by companies like Google, Facebook and Amazon, all of whom want to eat my lunch."

Another said they were concerned about impending privacy regulations, which he thought could strengthen the position of the tech giants. He stated:

"I'm very concerned about the position of Google, Facebook and so on. And I think in fact, I'm a little bit concerned that all the privacy changes that are coming in two years will have a big impact on our business, but not so much on Google and Facebook's business."

DEEPER SELL-SIDE COLLABORATION

Most respondents highlighted that deeper collaboration on the sell-side is required to ensure that local French market participants remain in control of CTV ad spend, or risk a major reallocation of spend to international platform businesses. One respondent commented "I think our concern in the market is to find the great ways to collaborate with our competitors, historical competitors, and other broadcasters. Our new real competitors are the platforms, the GAFA companies."

Collaboration efforts in the French market are ramping up. Respondents identified a range of initiatives that overcome traditional competition boundaries. Some stressed that while previous collaboration efforts in the wider digital advertising space primarily focussed on bundling inventory, CTV advertising collaboration is built on a broader footing. A broadcaster said, "We have a lot of projects aimed at finding new ways to create great partnerships between all market players to face the new challenges of extending reach, combining data, and integrating sales. It's a collaboration between historical competitors."

HEADER BIDDING

One advertiser said, "I think if header bidding was on offer in CTV environments, we'd be buying it. And if our decisions were based solely on performance, programmatically is how we really want to be doing it. We want to be able to compare how different publishers perform in the CTV space as we do with digital advertising, where we can go drill down to publisher level to see how they perform. So, if I'm looking at reach for example, we will spend more with certain publishers because we will see them basically performing better than others."

One broadcaster was enthusiastic about the prospect of header bidding, "We haven't really thought about using it on connected TV, but of course, if it works it will make sense to use a solution that allows you in fact through bidding to bring in competition from everyone in the market, so I think of course it will make sense."



EXPLOITING INCREMENTAL REVENUE OPPORTUNITIES

One French broadcaster said that the TV industry needed to take the fight to GAFA, which was out of keeping with the other broadcasters we spoke to around Europe, most of whom focus on how their premium proposition stands out from that offered on most digital media platforms. He also said:

“TV is really at the crossroads,” he said. “That is, either we are able to scale our product as a direct response mechanism to small and medium business and so become a must have. This allows us to have the playbook of Google, Facebook and Amazon and to build programmatic vertically as an integrated solution and a growth machine and to be the fourth biggest walled garden.”

In a similar vein to the broadcaster quoted above, another believed there was an opportunity to use the connected TV/ addressable TV opportunity to seize market share in performance advertising:

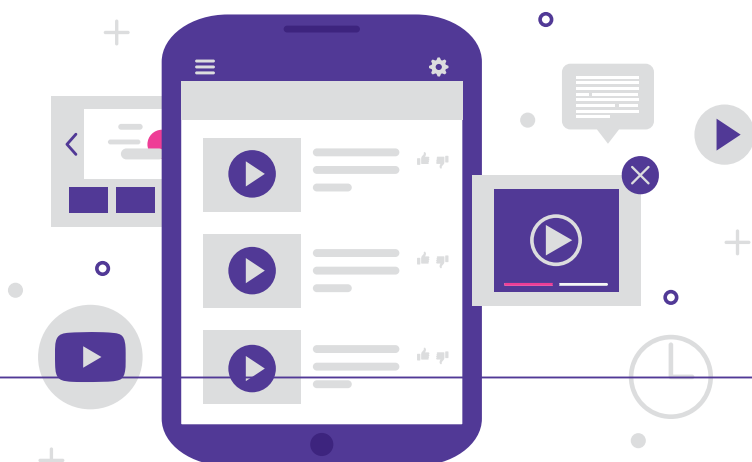
“The other question is whether we are able to grab the direct response business. And so to find a way to have an attribution model, that is as efficient and as accepted by the market as you have on Google and Facebook. We have to figure out on TV, what could be our new breed of CTV advertisers. If we can convert and compliment with a direct response model that could be a real growth machine.”

MEETING PROGRAMMATIC DEMAND

French broadcasters highlighted that they are in a conundrum. Today, their main revenue comes from direct deals and they are wary of cannibalising this. Yet at the same time, they acknowledge that they need to respond to advertisers’ growing reliance on programmatic models. This creates a tension between revenue preservation and investment in the future. One broadcaster articulated this succinctly:

“Programmatic is right now very small for us, so it doesn’t make sense to decide to prioritize programmatic. But my concern is that more advertisers are going to move towards 100% programmatic. So let’s say over the long term, if we do not develop our programmatic strategy, then we might lose these big advertisers. But today our revenue from direct sales is far more interesting. I think we need to make a concerted and well-informed effort to make programmatic grow.”

Another broadcaster saw barriers to programmatic adoption in the technologies that have been available so far: “The very important move was to prove the value of programmatic and that was limited with our current technologies, because programmatic guaranteed wasn’t available with a lot of DSPs. So it hasn’t really been our fault that we were not able to do more yet.”



ITALY



EXECUTIVE SUMMARY

The Italian CTV advertising market is relatively immature, although addressable TV is growing steadily and looks set for major growth in 2021 with new HbbTV standards coming online. Infrastructural factors are holding back market development as connected devices and broadband connectivity are concentrated on large metropolitan areas while Italy is a country where the population is scattered across regional centres and urban areas. This is particularly prevalent in the persisting North-South divide which de facto means that Italy is not a single CTV market. While broadcasters continue to dominate the media market, their collaboration efforts lag behind European peers, notably Germany, France and the UK. Agencies are increasing the pressure on CTV development but availability of and control over data, as well as definition issues provide key hurdles to commit more than experimental budgets. There is a sense in the market that innovation will be fuelled largely by the US tech giants entering the market. Yet interviewees suggested that broadcasters and agencies are increasing collaboration and that broadcasters are set to deploy new CTV offerings by the end 2021, creating a sense of optimism that the CTV advertising market will gather significant traction in 2022.

TRADING LANDSCAPE

The market today is in a nascent state. Three broad lines of CTV have emerged.

The offerings from national broadcasters are currently dominating spend with their addressable TV solutions based on the HbbTV standard. As one agency executive put it:

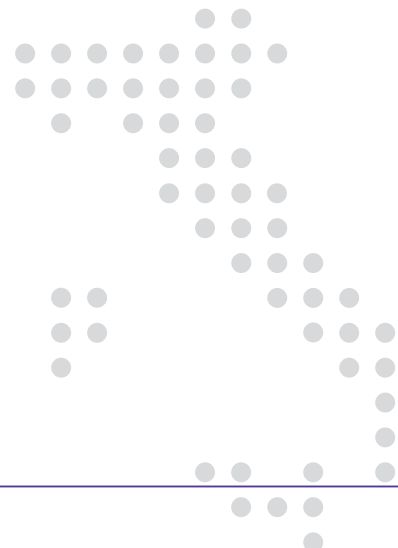
“They have a good offer, like AdSmart, you can also go live, and you have the L-shaped format. We are using it a lot. It is a little

expensive so it does not work for all clients, but the audience is very high value.”

Free to air broadcasters have been catching up quickly on addressable solutions such as dynamic replacement of spots in the broadcast stream and are now offering a low double digit percentage of digital inventory as CTV. Mediaset is currently leading the charge, and RAI, the public broadcaster, is in development mode according to buyer sources who are extremely interested in the new offering. Some additional inventory is today available programmatically from Discovery and other smaller channels, but buyers do not consider these offerings to be market makers that shape the evolution of the trading landscape.

Hardware and technology vendors make up the second bucket of current buying activity. Agencies have pursued a test and explore approach, which began two years ago with Samba TV and extended recently to include Samsung Ads. A drawback is the ad formats currently offered by some providers, especially the delivery of banner ads connected to a ‘click to watch’ video, which is criticised as clunky as scepticism around video open rates prevails.

Lastly, platform offerings like YouTube are active in the market. Of particular appeal is the fact that view-through rates are high as audiences do not skip ads on CTV devices, either due to lack of awareness that they are able to, or due to hard to use device controls.





Market Drivers

PROGRAMMATIC DEPLOYMENT

Programmatic is currently not part of broadcasters' CTV offerings and constitutes a small portion of remnant inventory. An agency said, "We just do programmatic for pitches to show that we can do it, but it's not really big money yet".

Yet in the background, the sell-side is already preparing for a programmatic future once the market matures. Several players are in the process of, or have completed a first round of vendor selection. Programmatic literacy among broadcasters is high. For instance, while they do not yet have programmatic offers, some interviewees have a clear path to header bidding integration and will abandon waterfall models from the start. For others, the types of programmatic that they may eventually offer are clearly sketched out with a strong focus on PG and PMP.

Agencies see programmatic CTV advertising as an inevitable driver to unlock the data potential. Recognising the sell-side's need to protect their inventory, they see programmatic mainly as an infrastructure on which to conduct targeting and measurement. An agency planner said:

"The main goal for programmatic will be audiences. We expect programmatic mainly for the better use of targeting and audience segmentation. Pricing models will be PG or PMP, but not open auction."

Another buyer highlighted, "If we want to use data, which will be the key to make CTV big and relevant, we need a programmatic infrastructure where we can bring our own data and do our own targeting".

DATA

Data on CTV targeting and campaign performance has so far been a black box in Italy. For instance, while some buyers see great potential in the targeting offerings of international technology vendors, they are concerned that such data often cannot be shared and audited, leaving agencies to trust partners blindly, limiting learning opportunities and hampering the ability to increase spend beyond an experimental level. One buyer stressed:

"It is all new to us, and how can we really see what works and understand CTV if we don't have robust data?". In the Italian TV market, broadcasters have been the gatekeepers to numbers and performance. A broadcaster highlighted: "Our CTV solution today is a kind of walled garden". There is growing expectation from the buy side to use their own data, and broadcasters have started tests with agencies on how this could be put into practice. Similarly, both buy and sell side providers have begun to develop DMP solutions for data onboarding and targeting. The buy-side shows particular excitement in the next round of infrastructure deployment by one broadcaster, who acquired proximity targeting technology and now uses it to build a solution that connects mobile device ID to particular TV sets.

HBBTV ROLL-OUT

2021 is considered a watershed moment as all TVs will become connected in a full HbbTV rollout. Interviewees consider this as a rapid acceleration of the CTV opportunity, which should materialise at the end of the year from a technical perspective and be reflected in ad budgets for 2022. This should increase the addressable base, which is low at the moment with 8 million connected TVs for 25 million households. The HbbTV roll out in Italy also spurs further collaboration, for instance between market participants and infrastructure provider Kineton in creating DMP solutions for better data activation.



COLLABORATION

Broadcasters recognise that the fragmentation of definitions will act as an impediment to market growth if it is not resolved and have ramped up efforts to provide an easier to navigate environment. As one broadcast executive puts it:

“We are working with them [other broadcasters] a lot through the existing associations. So what we are trying to do is to establish a common language”.

This is particularly noteworthy as some buyers have highlighted that historically, the sell-side has been competing fiercely, to the detriment of an ‘Italy Inc’ approach that could curtail the advance of global players through tighter integration of national players. The aim of these association-based collaborations is to set out clear rules of engagement for buyers to ensure that the buying process of CTV is as friction-less as possible. This is a first step to allow buyers to plan and execute campaigns across different broadcasters in a comparable manner.

EDUCATION

The Italian advertising market is extremely relationship driven.

This puts providers of CTV inventory in a good position to tap into their network to ensure that buyers understand their offering. A provider said:

“We do a lot of meetings with clients. Educating them, what connected TV is, what addressable TV is, what our offering is, we’ve done lots of events for the market for them. And we also have a lot of conversations with their strategic departments. Because you know, as it is growing it has started to, for some advertisers, be significant.”

This education will be a significant driver to move CTV from experimental to more substantial budgets. In particular, given current measurement and data constraints, a collaborative approach to measurement can bridge this gap at least temporarily. Lastly, education efforts also focus on the role of auditors as gatekeepers to media spend.



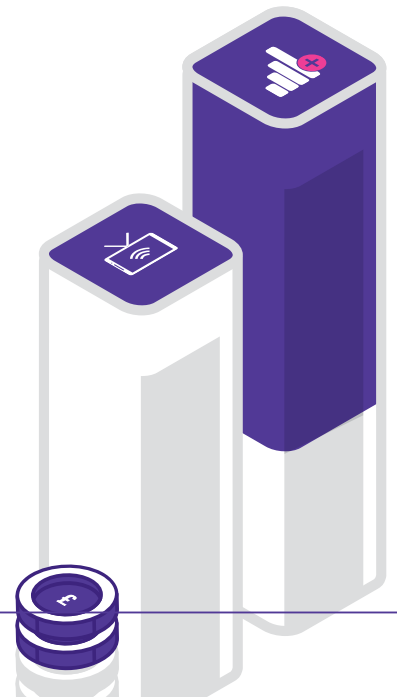
Market Inhibitors

HBBTV COLLABORATION

As much as HbbTV is seen in the market as a driver of CTV, it also is considered an obstacle in several ways. In order to deploy HbbTV solutions, close collaboration between broadcasters and hardware manufacturers is required. But objectives and timelines are not always aligned. A broadcaster noted:

“For HbbTV, we have to rely on manufacturers for the right implementation of the standard to develop features that allow us to do things. And that’s massively slowing down the roadmap. In theory it could grow up much quicker.”

HbbTV currently also acts as an inhibitor to accommodate agency demands for better data, or to deploy third party tracking: “HbbTV is a bit of a shaky standard. So you never know what’s going to work and what’s going to break everything.”





DATA

The rush to launch DMPs in the market is symptomatic of the efforts to make the ecosystem interoperable, but also is a battle for data control. Agencies are keen to use their own data for CTV targeting, but broadcasters are eager to remain in control. While conversations are in place to work together, these are at a nascent stage.

An agency executive summarised succinctly:

“For publishers, measurement will be a mess. They are using probabilistic data from Auditel now. But if we move to an impression-based model, that does not work anymore. Still, they need to move because if they don't you know what will happen, Google and Facebook will come. So they have to do something really fast.”

Broadcasters have a different view of data sovereignty, which is rooted in the ability to protect their offering against external (mis-) interpretation and thus loss of control. One broadcaster said:

“We don't want what has happened in digital where everyone was tracking everything. And then all of a sudden you have a company that says, “Oh, I now have a clustering algorithm to score your inventory” and that's used without any trouble. So we are going to do it the TV way. Everything has to be certified and checked by us and approved.”

Some observers worry that calls for data sovereignty from each side and competing proprietary truths will create an impasse. One buyer suggested that it will take external market pressures to resolve this:

“The big shift would come when competition from the US or other markets is turning up the pressure.”

PRICES AND COSTS

The Covid-19 crisis is making innovation harder. The Italian ad market has been hit particularly severely in Q2 2020, putting a strain on cash reserves on both the sell-side and the buy-side. This may lead to the magnitude of investments in CTV infrastructure to be reduced and for the pace of innovation to be slowed down.

The CPMs for CTV inventory remain high, ranging between €40 and €100. This is in part to protect pricing for as long as possible and not to give in to scaling too quickly at the loss of the premium CTV commands, as well as to cover costs of data and delivery. While addressing CTV viewers and better targeting is still attractive for some buyers, Covid-19 has seen a severe depression of CPMs in linear TV, making it attractive to buy reach at low costs.

PROGRAMMATIC ALIGNMENT

Just as programmatic is a potential market driver, it also faces obstacles. Knowledge of programmatic for many market participants who are not close to CTV development stems from the world of display and OTT video, which cannot be transposed directly to CTV. Misalignment between programmatic expectations on the buy-side and programmatic intentions on the sell-side persist, which have hampered a broader conversation about programmatic in CTV. A TV seller states:

“We are finding that people still don't quite understand it [programmatic CTV]. You really need to have the conversation with them to make sure it is understood correctly because sometimes they'll be confused about what it is and how it can be measured. If the CPM is high, then we need to explain to them why it is different - it is not your smartphone, it is a TV set, it is non-skippable and you have more than one person in front of your TV screen. I think the need to explain happens a lot.”



Looking to the Future

FORCED INNOVATION THROUGH GLOBAL TECHNOLOGY PLAYERS

There is a broad consensus among market participants that Italy will experience 'forced' innovation through technology and external market players. A broadcaster articulated their concerns as follows:

"I think YouTube is pushing into the market. And you can tell already that Amazon Prime has self-promotional ads before the content and then it takes a second before they turn the switch and all of a sudden it is advertising. And it worries me just because of the scale they have and the amount of inventory they can have. And so, they can start lowering prices, and all of a sudden they can dictate the rule of the market. That's a dangerous position to be in for us."

Others agree and highlight the need for tighter collaboration among the Italian sell-side, and possibly even on a European level: "In Italy, the small fish have been fighting each other, but not really worked together enough to fight the big fish. In Europe, we are exposed to the big players from the US and China. So Italy needs to work on a European level with other broadcasters."

RESOLVING THE STRUGGLE FOR DATA CONTROL

As all media becomes digital, the struggle for control over data and its interpretation will heat up, according to both buyers and sellers. It will be primarily the buy side who will set demands on the sell side, especially when advertisers will understand they have the opportunity to integrate CTV in a broader digital view. As one agency executive put it:

"I think the big issue will be to make publishers accept the use of ad servers. I think it's going to be very hard to persuade them to open up to third party ad serving because it allows others to rate their performance. As a buyer, I could say

'okay, I will stop these channels, and I will push another channel'. The publisher risks losing a lot of money. But I think that this change is absolutely needed because it will deliver effectiveness and efficiency for the advertisers and you will have a better understanding of unique viewers across different publishers."

DATA PROTECTION AND THE RISE OF IDS

Broadcasters see an opportunity in the climate around data protection and are building out their future strategy based on first party data:

"I think it will be fine because our offering does not rely on cookies. And frankly, we believe cookies won't take hold in CTV, mainly because the industry cannot go back to a world of hyper targeting. First-party strategies with less granular segmentations will be the way forward."

A critical issue for the Italian market will be if publishers can come together and generate a persistent ID across Italian publishers, or whether this will be left to external parties. One seller expressed concerns:

"We expect to see the introduction of various universal IDs. My feeling is that I think we will end up in a worse place from a privacy perspective if these solutions are merged and managed by a third party."

DOUBLING DOWN ON PROGRAMMATIC

Amidst heightened competition and changing advertiser demands, the sell-side acknowledges that after getting the market off the ground, programmatic deployment will be key in order to satisfy digital-first buyers and the scaled offerings from global technology firms. Commenting on future strategic priorities, one interviewee stated:

"We are looking at ways to put programmatic into all our connected TVs. We are carefully studying what Finecast has done with the Trade Desk, and other approaches. We expect to adopt a similar way of working based on clear rules to balance control, simplicity and scale."



SPAIN

EXECUTIVE SUMMARY

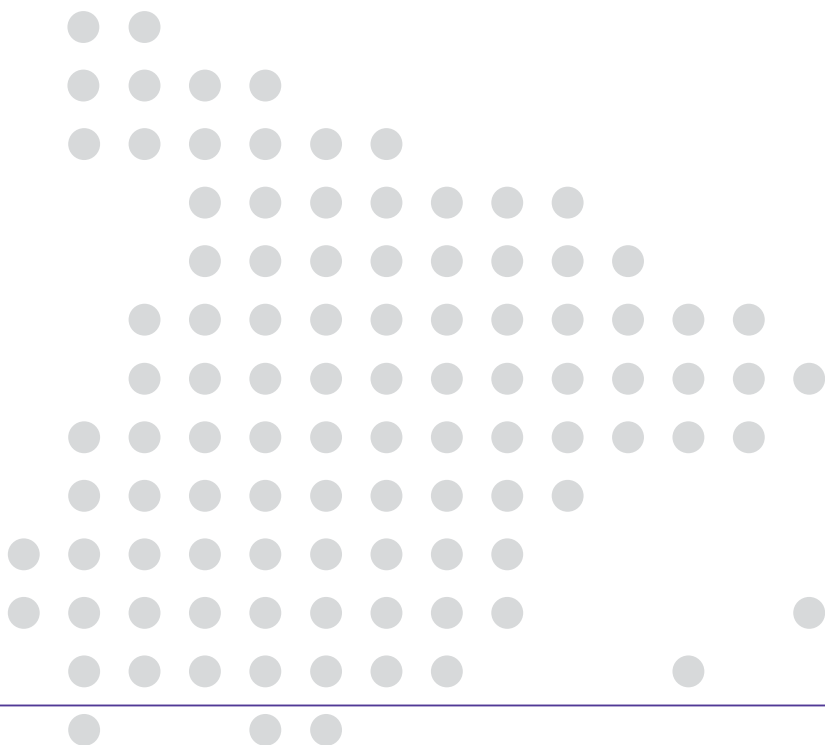
Spain is on par with Italy in terms of CTV advertising development, although industry initiatives around standards and definitions suggest that the market has a more advanced and systematic foundation in terms of collaboration between incumbents. HbbTV has been the main foray into addressable for broadcasters but creative options remain limited. While agencies are hungry to invest more in CTV, a country-wide push to move beyond an older HbbTV standard still needs to gather momentum. The low penetration of connected devices also highlights that the CTV advertising opportunity still needs a larger infrastructure to be commercially viable. Yet new market entrants who can leverage innovations and revenue generated elsewhere, making buying and targeting easy, are set to act as an accelerant for the local market. The ability to build on past collaboration efforts in the OTT space is seen by respondents as the most critical factor to kick-start the CTV advertising market.

TRADING LANDSCAPE

The Spanish TV advertising market has undergone major structural changes since the financial crisis in 2009, amplified by the Eurozone crisis in 2012. Driven by a shrinking TV advertising market, Independent DTT channels Cuatro and La Sexta were acquired by the larger media groups. Advertising on public broadcaster RTVE was phased out in order to ensure the competitiveness of commercial broadcasters. At the same time, Spain was one of the first European markets to create a joint video market place between broadcasters.

Respondents regard these trends as foundational for the state of the CTV advertising market. The recovery of TV advertising and attractive CPMs has made the linear TV advertising opportunity appear more attractive for longer than in other markets. One agency buyer said that “TV was coming back for a few years, so CTV was seen as interesting but not urgent”. At the same time, existing experience of collaboration means that Spain has a healthy interaction between market participants and active working groups in industry bodies on CTV.

CTV advertising is still nascent in Spain. But inventory and buying paths are progressively opening up. Currently, buyers are currently able to buy CTV inventory via the large media groups like Mediaset and Atresmedia, as well as Telefonica Movistar+, Rakuten, Amazon Prime Video and YouTube. Inventory can be bought via multiple DSPs, including Xandr, DV360, The Trade Desk, Adobe, and Amazon are expected to open up access to CTV inventory through their DSP, as well as from ad networks who are offering programmatic access to CTV inventory.





Market Drivers

SVOD AND AVOD COMPETITION IS ADDING MARKET PRESSURE

The rise of SVOD services is acting as an accelerant for CTV advertising initiatives, according to both buy- and sell-side participants. One agency executive stated:

“Approximately 40% of Spanish households now use Netflix, HBO, Movistar or Amazon Prime and we think it is going up with Covid in the long term. We have so far mainly focussed on HbbTV in Spain, but with the streaming explosion, we get more requests for CTV advertising and people in the industry appear more urgent to develop it in the market now”.

The emergence of international AVOD players adds further urgency. Especially buy-side respondents see these services and their ability to enter European markets as a bellwether for CTV advertising in Spain. These cases add confidence that “streaming apps on smart TVs really work for advertising and show what we can do”, as one respondent put it.

This external pressure adds both confidence and urgency to act. Another respondent added: “I think it [CTV advertising] needs a push, sometimes we are too comfortable. And what has happened with on-demand watching and SVOD and AVOD during Covid is going to add to the demand for CTV advertising.”

HERITAGE OF COOPERATION

Spanish broadcasters already have a history of advertising collaboration, most notably through Aunia, a cooperative joint video marketplace between leading broadcasters Mediaset and Antena 3 that was launched as early as 2014. While it was not sustainable in the long-term, one agency executive said: “I think we have a good starting point, I mean we had Aunia. So we can learn from the partnerships and how the collaboration did and didn't work out. I hope we will see something similar in CTV that is like it.”

Some respondents express hope that Spanish broadcasters will use this experience to drive forward CTV advertising: “We need to avoid fragmentation, or do-it-alone strategies. We had good collaboration in the past and the market can build on that for CTV advertising.”

There is widespread acknowledgement among respondents that collaboration in industry initiatives creates a robust foundation for developing the CTV market and that concerted, industry-wide approaches will be a crucial driver.

DEVELOPMENT OF DATA STRATEGIES

Broadcasters are investing in data solutions for household addressability. As one broadcaster stated:

“We are making a huge effort in order to understand our households, and we have a new project that we call the household DNA, where we want to understand the value of households. You do the matching between all the devices connected to one IP in your household, and you try to understand the beginning of the brand, if people live in that house, how everything is connected.”

Robust data is regarded as foundational for CTV to grow beyond experimental budgets to incentivise buyers and to build sales strategies. One respondent highlighted: “We need to understand the audiences and have household level targeting. I think the progress is good and this will make conversations about CTV more serious.”

A broadcaster added: “We have to implement data on TV because up to now we haven't been able to do that. And as soon as we are able to connect that data to this business, for sure the numbers are going to skyrocket.”

Agencies are ready to spend once the market develops: “We will continue to increase our investment in line with the market”, as an agency representative highlighted. Yet this also suggests that agencies have an expectation from the sell-side to establish this market, and to not overinvest in order to make it happen.

BUDGETS NORMALISING

The Spanish ad market declined sharply due to Covid. This has hampered investment in new channels like CTV as marketers focussed remaining budgets on performance channels and established broad reach media: "During the lockdown digital video budgets decreased in Spain and performance budgets have increased, mainly being invested in display and native ads."

Yet as budgets are normalising, market participants expect a stronger uptake of CTV spend: "We are seeing CTV ad spend to eat into outdoor, radio, social and experimental

budgets, as the market comes back." Other respondents agree, signalling that the post-pandemic allocation of ad budgets will be different: "The consumption changes are real and there is more willingness among marketers to double down on CTV when budgets return".

A buyer sees the source of CTV budgets as good news for broadcasters and the development of the CTV ecosystem: "It won't affect linear TV budgets or online video. Some feared cannibalisation and this was holding them back, but we now have confidence that it will be additive to TV advertising."



Market Inhibitors

EXPANDING BEYOND HBBTV

Spanish broadcasters have so far relied on the HbbTV standard for addressable solutions. But respondents identified two challenges associated with HbbTV.

The first challenge is located in the HbbTV standard itself. Spain uses an earlier version of HbbTV, version 1.5, which limits the creative formats with some saying only L-shaped display overlays were realistically possible. A buyer highlighted:

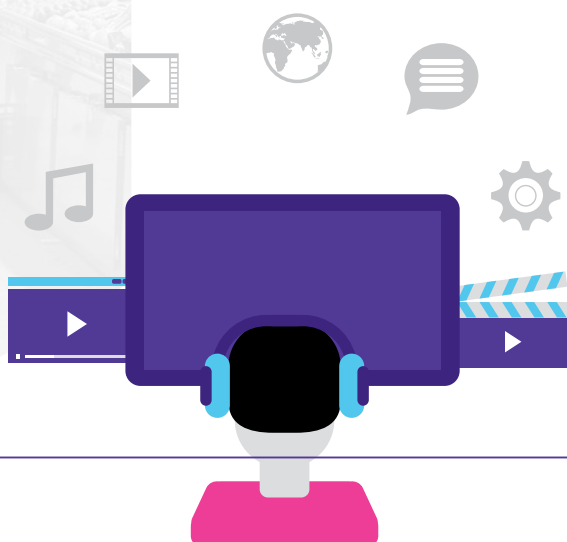
"HbbTV is not very robust. You have different versions, and you have to ask the broadcasters, but we are behind at least 2 versions and we can only do a few formats. And if we push, the broadcasters say we can't do video because HbbTV may break and it will kill the user experience, so we have to wait."

The second challenge relates to how the market can move beyond HbbTV and to integrate the different technologies into a coherent offering of CTV advertising. One seller remarked:

"We have a huge challenge in front of us, where we are going to see the connected TV, OTT services, HbbTV. We are talking about two different kinds of animals with different technologies and states of development."

While the motivation to integrate offerings and align development are present from the broadcaster side, external factors like the availability of devices among Spanish consumers are slowing down these efforts:

"And at the end, we would like to put everything together to sell one unified type of inventory. But it's difficult to mix different channels, because their nature is completely different. This is a challenge that we have to solve, and maybe when we have in Spain, enough devices, TV devices, that are supported by 2.0. standard HBBTV standard we can finally serve video without a bad user experience."





STATE OF DEVICE LANDSCAPE & EXTERNAL COMPETITION

The lack of connected devices has put a damper on pro-active development of CTV advertising. A seller highlighted: "We depend on the number of smart television devices that are sold in my country right now. We have roughly 12 million smart TVs, and you have to take into account that a huge percentage of those smart TVs are not connected. People buy smart TVs, but they do not connect the device to the internet."

This is echoed by other respondents, who still see a lack of critical mass in terms of consumers reachable via connected devices. While there is consensus on the potential of CTV advertising, many do not yet see the critical mass to warrant large-scale investment.

Yet some warn that waiting for higher device penetration risks losing control over market development and handing the CTV opportunity to external market entrants. One buyer remarked: "We don't see the scale to justify investment in the market, and the broadcasters are in a similar position. But if we look at device manufacturers, they don't need scale in Spain to develop their offering. They can use what works elsewhere and just deploy it here. So the longer Spanish players wait, the more the market will become distorted. I think this also creates a fear in the market that is paralysing."

STATE OF MEASUREMENT

While Spanish cross-industry working groups and local players are discussing definitions, measurement and ramping up household addressability, market participants stressed that measurement is still in its infancy.

One reason is rooted in unclear and shifting definitions of what should actually be measured, which halts the development of actual consensual measurement approaches, while the move to a more expansive definition adds additional complexities:

"CTV in the Spanish market used to refer to consumption on smart TV, especially in pure online environments, but little by little it is moving towards a more generic concept that includes the consumption of audiovisual content on any connected device. Some companies participate in the market forums that we have to influence this broader concept."

Some respondents highlight that the lack of official measurement holds back investment. Leadership and clear responsibilities are required to fix this. An agency highlighted:

"Nobody's taking care of CTV," they said. "There is a compass next year, you need to know who is going to be the new digital measurement tool, the new official digital measurement tool here in Spain. And I hope that they will solve these problems but right now we don't have official figures about CTV."

Issues around measurement of viewing expands to questions about ad effectiveness and campaign managements. Spanish buyers have a clear view on key KPIs, like viewability and completion rate. But as one buyer said:

"We can't work with VPAID formats. Only VAST and MP4. For the moment we can't use technologies like Integral Ad Science or Moat for verification."



LACK OF PROGRAMMATIC INFRASTRUCTURE

While the sell-side favours a controlled evolution of CTV that holds back programmatic for the time being, agencies see the role of programmatic in an earlier stage of CTV development. One agency said:

▶ **“We are now investing in a new DMP, but if it’s really going to work, we need to be able to overlay our own data. But the broadcasters have been conservative and not looking at programmatic much right now.”**

The conflict of programmatic priority is rooted in a struggle over control over data. A buyer added:

▶ **“We need to run our own models, it is critical in any medium. And CTV transfers TV to the digital world where we absolutely cannot work without our own data. It has to be like in all other digital channels.”**

Yet broadcasters are wary, highlighting that external interpretation risks misrepresenting their audience and commoditizing their inventory.

A broadcaster remarked: “We are not selling programmatically. A lot of people say that you have the option to increase your CPMs if you fine tune your programmatic strategy. But this is not the case here in Spain - you talk about programmatic, unfortunately, all the time, which means that the buyer is going to buy at a lower CPM”.

This highlights that fundamental concerns about programmatic sales models persist in the market.



Looking to the Future

INCREASED COMPETITION

Spanish participants were less vocal about international competition than other markets, but nevertheless see a future where new market entrants exploit the structural hurdles that local players are currently facing. A buyer said:

“Today if we push, the broadcasters say we can’t do video because HbbTV may break and it will kill the user experience, so we have to wait. Then you have the Americans coming into the market. And they don’t care and are fast, and we are waiting for our own European system to get an update. It will be difficult for the broadcasters to win in this way, is my personal belief.”

Some highlight that the sell-side should overcome entrenched animosities and build more actively on past collaboration to provide a unified solution:

“We have a concentrated market because of the crash. And they are opponents in the market and backed by different corporations. For CTV to really take off, we must have real close collaboration between players for a standard system.”



RISK OF BUSINESS AS USUAL

The appeal of generating some incremental revenue fast instead of redefining the market means there is a risk that the potential of CTV is drowned out by a 'business as usual' mindset. One respondent said, "Because addressable TV as we have now - is it really going to get the new audiences or is it just selling the existing programming in a different way? In the short term, that is more attractive because the money comes faster. And we can rely on the trusted standard with HbbTV. But if the Spanish market only looks at the opportunity in this way, there's going to be real trouble in five years."

Respondents, especially on the buy-side, expect that local sellers will continue to give preference to HbbTV over wider CTV developments:

"One of the attractive things about HbbTV for established TV media groups at large is that the HbbTV model lends itself to linear, which would help them to continue to own a large part of the media pie." A person from a leading media company concurred:

"When we talk about HbbTV, we are talking about the same kind of environment, because it's mainly linear, so we feel comfortable, because this is an environment that we know. Of course, we are dealing with a new technology, and we would have to adapt all our systems and operations to this new technology. But it's going to be more or less the same thing that we used to do with linear."

The same media executive said that CTV presented fresh challenges which will take time to resolve. "When you move to the world of OTT, and we are seeing the migration on to these environments at a rate of about 3% a year, we are entering a new world with no barriers at all, where there are a lot of different competitors. And the thing is that those competitors are really big competitors and we'd have to compete against Sky, Netflix, HBO, Google, YouTube etc."

DATA DEVELOPMENT

Most respondents agree that the main task ahead is to develop a robust data infrastructure. Although broadcasters remain cautious about programmatic, the development of data, reporting and measurement is high on the agenda, although distinctions between development for addressable TV or connected devices in general remains unclear.

Data development will only work for the sell-side if the use of data and its business models, such as programmatic, do not impact the user experience:

"We are really concerned about user experience. We don't want advertisers which aren't right and proper to appear on our screen. So we have to fine tune our strategy to avoid that happening."

HEADER BIDDING

If and when programmatic approaches mature, respondents expect header bidding to be part of the solution. A seller remarked: "Header bidding is not going to be implemented in CTV anytime soon. But we understand that it is credible and better than a waterfall. So when the time is right, this is how we will use programmatic."

A recurring theme is the ability to control CPMs, and broadcasters are only ready to deploy header bidding if they maintain pricing power: "We need to keep the CPM high and if we have different demand sources competing and the demand pool is big enough, this could be the kick-starter for programmatic. As soon as we can implement header bidding on CTV, we should do that."



SWEDEN

EXECUTIVE SUMMARY

The Swedish CTV advertising market is this study's smallest market. It has taken longer for the US tech giants to invest heavily in the market, which has afforded local TV incumbents extra time. Local participants have been closely watching developments in other markets and remain somewhat sceptical about the benefits of programmatic trading, but were early to market with dynamic ad insertion (DAI) which is available across the leading CTV providers.

TRADING LANDSCAPE

The Swedish TV advertising market is dominated largely by TV4, NENT and Discovery. As with most smaller markets in Europe, the CTV advertising market is still quite nascent, and whilst the Swedes are open to innovation, it makes sense to watch and learn how other markets play out. They have had some extra time too, as for example Amazon only launched their Swedish offering in October 2020, so Amazon Prime Video hasn't been particularly relevant to Swedes until recently.

A leading Swedish broadcaster said:

“As a small country, it isn't a good idea to be at the forefront of ad tech development when our population is 10 million people. But still we have been offering things like dynamic ad insertion and data products since 2015. So I'd say we prefer to be able to let others in Europe experiment first and then we consider whether we should follow suit. I mean, Sky has done a brilliant job with their AdSmart investments, but that would never work in Sweden because we're too small a country. But we are digitally very advanced from a consumption side. I think we're the only country in Europe where half of the consumption is streaming.”



Market Drivers

PROGRAMMATIC DEPLOYMENT

In Sweden broadcasters were markedly more cautious when it came to the value of programmatic advertising. However, this isn't because they're unwilling to innovate. Rather, respondents felt that it was relatively easy for them to be aware of the demand in the market due to its small size.

Whilst some CTV ad spend is transacted using private marketplaces (PMPs), respondents do not think that this will be a major driver for programmatic overall: "For us, programmatic advertising is the PMPs that we have for advertisers to access. But we know a lot of buyers also regard programmatic guaranteed solutions, where it's basically buying fixed inventory and running a single ad into it. We don't offer any programmatic guaranteed to agencies, so we don't bulk sell inventory for them to fill, so everything is sold against a specific campaign," one broadcaster said.

CHANGING EXPECTATIONS AMONGST ADVERTISERS

Buy-side requirements when it comes to programmatic trading are likely to be a key driver in the Swedish market. One broadcaster noted:



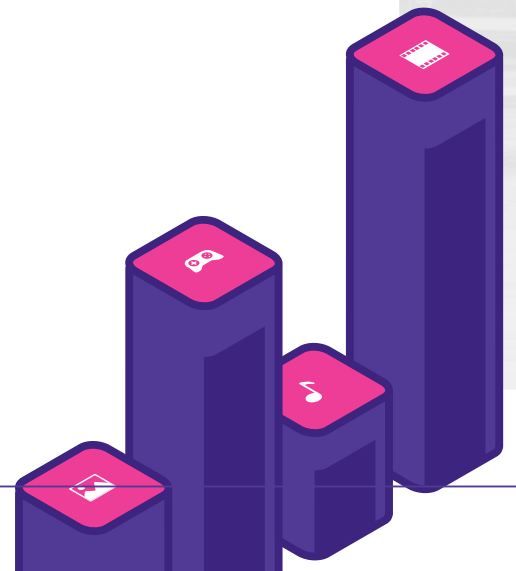
"A lot of agencies are shifting their buying to programmatic because they might have some benefits on their side, it's easier for them to just set up a campaign once and just connect to deal IDs, instead of sending copy codes and sending them out to a bunch of publishers. So the efficiency is on the buy-side, so we are seeing an increased demand from advertisers because of that."

COLLABORATION

Whilst Swedish sales houses haven't united they did move in unison to introduce dynamic ad insertion (DAI), which is now available across the Swedish market. Also on measurement, media companies have come together to support MMS, Sweden's approved media measurement company.

BROADCASTERS DON'T SHARE INVENTORY WITH PLATFORMS

Platform owners might regard this point as an inhibitor. But as with markets like the UK, one of the most pressing concerns for broadcasters was the ever-growing control of the CTV platforms, who more often than not ask for a share of inventory in return for carrying a broadcaster's app. However, in Sweden, the large media groups have held out and have retained full control of their inventory, so no inventory is handed over in exchange for carriage rights.





Market Inhibitors

HOUSING ASSOCIATIONS MAKING GROUP DECISIONS ON TV SERVICES

A key obstacle is that housing associations represent an additional decision layer in the development of the CTV landscape, as multiple participants pointed out. Retail suppliers of AV content can enter into either collective agreements with landlords or housing cooperatives, the so-called “multiple dwelling units” (“MDUs”), or in individual agreements with individual households, or “single dwelling units” (“SDUs”). In SDUs, the end customer typically chooses its own TV distributor and pays directly for its subscription, and so that part of the market is as fluid elsewhere. However, in MDUs it is common to have a collective agreement between the landlord / housing association and a single TV distributor / cable operator. Whilst this is likely to mean that consumers can collectively bargain for better deals, it does make the pay TV market slightly more rigid.

BUYER EDUCATION

As with some of the other markets studied, there was a sense in Sweden that the buy-side needs to learn more about the value of CTV advertising, particularly if the buyers in question have had a more digital focus up until now. A buyer said:

“I think it will be better educating buyers on the value of CTV inventory, the price per eyeball, it's better than most other inventory and also the fact that connected TV gets a different kind of attention. So there are studies on this already, showing that you have more family viewing and you have more attention. For instance, the recall of an ad that has been running on a TV screen is better than the same ad running on a mobile screen. So I think that the key driver is going to be advertisers, brands, seeing this data and realizing that that's the inventory where we get the most impact for their ads.”

LACK OF TRANSPARENCY

One Swedish broadcaster said that the lack of transparency on offer from the US tech giants was causing problems in Sweden. “You have some transparency when it comes to your inventory, what you're offering, what you're selling, what you're buying, but also lack of transparency when it comes to the value chain. What are you paying to whom in the digital advertising value chain from media owner/broadcaster right through to the various tech suppliers, along with the media agency who often have all sorts of local as well as central arrangements? My main objective at the moment is to fight the lack of transparency being introduced by the digital media market.”

GDPR

The broadcasters we spoke to had taken a conservative interpretation of GDPR and were focused mostly on first party data. However, by not making provision for advertisers to bring their own data to the table, they might be running the risk of missing out on winning incremental revenue from new advertisers. As one Swedish agency executive said, “Today it's mostly linear TV that is being reduced to make room for CTV budgets.”



Looking to the Future

COMPETITIVE LANDSCAPE

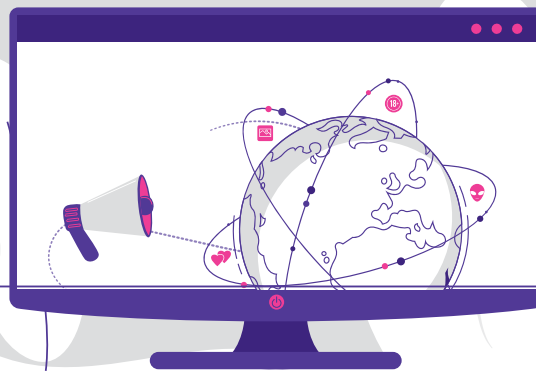
As with all of the other markets, Google, Amazon and Facebook were cited as being the most worrying threats, although one broadcaster gave an exceptionally nuanced insight into how they perceived competition. Firstly, there was internal competition where inventory types are competing against one another, then there was 'frenemy' competition from other Swedish broadcasters, and then there was the risk posed by consumers choosing Facebook or Google, or perhaps even a different type of media like display. They added that there wasn't quite enough differentiation between the Swedish broadcasters. "We're all offering a similar product through the same channels. We have some audiences that the others don't have and there's always going to be movement between us depending on the different audiences that we have, but I think it's all going to balance out."

PROGRAMMATIC & HEADER BIDDING

One broadcaster said that programmatic in Sweden needed to evolve in a way that sounds remarkably similar to what ITV are offering through Planet V in the UK. He added:

"I think programmatic is great when it comes to accessing inventory in better ways but we need to change the definition of programmatic, so programmatic isn't just connecting a DSP to an SSP, it's a lot more. Anything that an ad server does today is obviously programmatic within that ad server, so we need to expand the definition of programmatic to say, here's a tool for you to access our inventory on our ad server. So instead of connecting a deal and picking up what you can, you can actually look at our inventory and you can say I want to run a million impressions at frequency three, against this audience that you are exposing."

When it came to header bidding, the same broadcaster believed it could be useful in certain environments. "We've looked at header bidding solutions and most header bidding solutions are either based on single opportunity inventory, so on a single pre-roll for instance, header bidding could work nicely there. But in a pod of three or five ads, header bidding in those environments with multiple demand sources, that gets very complicated very fast."





RECOMMENDATIONS

This study has found that there is much to be positive about in the European CTV advertising market. Across the markets studied here, momentum has picked up significantly in 2020 compared to the previous year. CTV has evolved from an abstract future to a market that is being actively developed by both the buy- and the sell-side. Yet the pace of market development currently lags behind the opportunity.

The clear message from research participants is that the European CTV advertising market will not materialise automatically - the market needs to be actively made. Based on the interviews conducted, this report presents a set of recommendations how the house of European CTV advertising can be built.

In making these recommendations, we recognise that many businesses are getting key aspects right. But all participants conceded that the European market is far from perfect, and the recommendations below are informed by the findings of this study.

1. Clarify Definitions Across Europe

Definitions need to be simplified for buyers and sellers. Even within markets, there's no common language when it comes to CTV advertising and confusion abounds. The term 'CTV' itself doesn't have to be any one thing, but both buyers and sellers need to be aware of what the capabilities are if they are to be exploited.

Collaboration on common technology standards need to be more firmly established in the European market and will require constant review. This extends to buy and sell-side programmatic technologies which should be interoperable and be consistently capable of delivering TV-quality creative across all screen types.

2. Standardise Transparent and Fair Measurement Metrics

Measurement needs to be harmonised and a balance needs to be found between sell-side control and providing advertisers with the ability to accurately measure and target their campaigns. The legacy panel-based approach in TV advertising ceases to find market acceptance in the digital world and is likely to fall short when it comes to demonstrating CTV advertising's performance. Whilst sellers provide CTV-specific metrics, in many markets they are relatively limited, lack transparency and sellers dictate the terms when it comes to which metrics are exposed. For brands and agencies, this makes it difficult for them to plan and optimise across media channels, as they are forced to rely on seller-specific data they cannot compare, whilst things like frequency capping are next to impossible. However, broadcasters are concerned about being sold short on the value of their inventory when external parties are involved, particularly when their premium inventory - showed on a large screen in a shared environment - is compared to online video, which is often shown to an individual user adjacent to user-generated content.

3. Invest in Apps & App Technology

Frequently respondents expressed a lack of investment in connected TV apps, often for fear of not generating immediate returns. However, the commonly cited disruptors were YouTube, Amazon Prime Video and Netflix, all of whom have a presence on almost every CTV platform. If incumbents are to thrive in these new environments, they need to move beyond the focus on addressable linear TV solutions (e.g. HbbTV, STBs) to develop deep expertise in the app economy, as this will be a major future battleground for consumer attention on CTV.

4. Reunite Fragmented Approaches To Ensure CTV Provides Broad Reach

A key advantage of linear TV is the ability to plan and buy audiences across inventory sources in an integrated manner. As CTV advertising develops, there is a risk that the future of TV advertising fragments into micro silos, where every broadcaster, streaming platform, hardware manufacturer and other provider uses different measurement, data and standards to plan, buy and measure. This creates fundamental issues about interoperability and erodes a key advantage of television. Market participants should overcome the idea that developing CTV requires total control over every aspect, from data to measurement and prices, and make key technological or measurement decisions together.

5. Content Owners Should Press Device Manufacturers for Standards

CTV takes places on a vast array of devices from different TV sets to set top boxes and gaming consoles. This continues to be one of the biggest hurdles for content owners, as the time, financial investment and maintenance costs can quickly mount up. Hardware can introduce an additional layer of complexity due to app certification processes for each manufacturer, and issues with TVs 'in the wild' that could not be tested by a developer, whose software causes performance problems. If the CTV advertising market is to flourish, there is scope for content owners to work together to ensure that device manufacturers meet certain agreed standards when bringing new devices to market, along with simplifying the onboarding process for app owners.

6. Increase Investment in Talent

At many companies CTV has been bundled with 'online' and some spoke about how they faced internal competition for influence over strategy from the 'traditional' parts of the company. This was an issue at agencies, broadcasters and pay TV operators. Some had even lost key staff who were working on key areas such as data strategy and hadn't seen those team members replaced. Investment in dedicated CTV talent will be required to compete effectively in a CTV-first world.

7. Press for Regulatory Reform To Enable Deeper Collaboration

The CTV market across Europe is likely to see significant change over the next years, whether European incumbents drive it or not. New types of offerings will colonise connected TV sets, bypassing existing gatekeeper functions. While the need for collaboration has been acknowledged widely across the markets under study, and noteworthy successes have been achieved, it needs to be further expanded.

Legacy regulatory hurdles need to be removed that allow for a level playing field of collaboration within markets. For instance in Italy, intentions of deeper collaboration are hampered by nearly two decades of controversial market regulation. Public broadcaster RAI, the largest commercial broadcaster Mediaset and Pay-TV operator Sky are subject to different regulations. Originally sparked by the controversial 2003 Gasparri law to loosen media ownership rules, a set of other laws (e.g. Gentiloni 2005) have been put in place that critics say distorts competition in the advertising market. Overcoming this legacy will be critical to unlock the potential of collaboration in CTV.



8. Meet Demand for the Next Generation of Advertisers

Adapting to the requirements of the next generation of media buyers will be key to future success. Agencies themselves have been undergoing digital transformation for many years now and we're seeing a new generation of leaders coming through the ranks who are 'programmatic-first', which we believe will lead to an even more rapid acceleration of automated, data-driven trading in the coming years. Everyone on the sell-side should not just have plans in place, but have established teams and practices ready to meet that demand as it evolves. It's early days, but based on our conversations with UK buyers, the UK TV industry's moves towards programmatic trading are an encouraging step in the right direction.

It is well established that TV advertising delivers for advertisers and the industry should continue to focus on communicating the value of it in brand-building, but its role in generating sales has been somewhat underplayed. Improvements in attribution and cross-media measurement may help to remedy this situation in the coming years. Similarly, the demise of the cookie and the move towards GDPR-compliance is expected by many to have a negative impact on display retargeting, which is in all likelihood taking too much credit for sales today.

9. Consider Header Bidding As Testing Ground For The Future

The report found that sentiment towards the prospect of header bidding was mostly positive, provided the technology works and that advertiser and creative quality can be controlled, along with transparency on where the spend was coming from. Further experimentation with programmatic technologies and a more holistic approach to yield will be required in order to win secure additional spend from the next wave of 'programmatic-first' advertisers.

10. Advance First Party Data Solutions

First party data strategies will be a key cornerstone of any successful CTV advertising strategy. These moves have been taking place against a backdrop where online publishers are struggling to find common ground. Other European markets should take note and there is an opportunity for the European TV industry to move quickly to create common standards on user identity and to gain ground on digital rivals in the process.

11. Align Agency Internal Structures

At many agencies, CTV will occasionally be bought by separate teams, whether it's digital, TV, AV or dedicated programmatic units. To best exploit the emerging CTV advertising opportunity, agencies are going to need to create dedicated teams to CTV advertising who are capable of getting the best out of the opportunity when it comes to trading, data management and measurement. GroupM's Finecast, who are also creating CTV-specific products and services, is a noteworthy pioneer in this regard.

12. Double Down on Buy-Side Education

Agency and advertiser education will be crucial, and their awareness of the opportunities offered by CTV should not be taken for granted. Whilst there are of course experts on the buy-side, for the most part it continues to be a niche topic understood mostly by video experts. The responsibility for educating buyers on the value of CTV advertising shouldn't fall to agencies alone however, and all stakeholders can play a role in raising awareness through both training and marketing efforts.