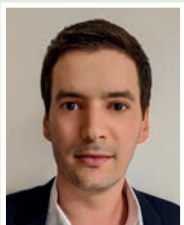# Embracing
the Next Generation of Targeted Advertising
by Dror Mangel, Senior Product Manager, AI and Data Solutions Domain, at Viaccess-Orca

Service providers are showing optimism as forecasts predict a 125% increase in ad spending in the connected TV market by 2024; similarly, AVOD is predicted to see market growth of 120% by 2025.

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Considering those projections and recent years' market trends, more and more operators and broadcasters are entering into the addressable TV market. This raises the question: How can they generate targeted advertising revenues and take advantage of the benefits of new revenue opportunities such as the "freemium-to-premium" pipeline, monetisation of catch-up content, and placement of ads in the UI (User Interface)? Given the new and expanded opportunities afforded to operators through the use of targeted advertising and the crowded SVOD market that is pushing subscription prices down, there is no better time to adopt this burgeoning technology.

Overcoming Complexities in Targeted Advertising

One of the most significant hurdles standing in the way operators deploy targeted advertising is the complexity of the ecosystem. A 2019 study found that marketers have an average of 28 different technologies in their advertising technology stack, and that number is expected to grow by 70% over three years. On top of telco ecosystem complexity, operators should overcome ad tech complexity and fragmentation in order to reap rewarding revenues from targeted advertising. The fact that ad tech is web-adapted is not making this easy.

Competing technologies, multiple standards, and web-oriented ad tech solutions make delivering targeted advertising ultra-complex. Fortunately, industry standardisation efforts and TV-orientated solutions are emerging. The DVB and HbbTV are collaborating on the DVB Targeted Advertising specification, which will help to define the targeted advertising framework, including the implementation of technologies such as SoME (Signalling on Media Essence). With SoME, audio and video watermarking can be leveraged to signal targeted advertising replacement opportunities in supported devices. Segmentation

and measurement are becoming standardised, with organisations like BARB in the UK and the telcos' association in France making targeted TV advertising inventory accessible and transparent to advertisers to purchase digitally, with all the benefits of TV, including the big screen, volume on, premium content, a safe environment, and viewers' full attention.

Finally, after years of complex, build-it-yourself addressable TV solutions, we are seeing leading technology providers creating end-to-end solutions to deliver targeted TV ads for any device on any service on top of all networks, such as cable, DTH, IPTV, and OTT. What truly resolves the complexity is that those solutions address all the challenges of service providers in a TV-orientated manner, since they are created by TV experts. To completely resolve the complexity, the solutions are pre-integrated with ad tech, dealing not only with the ad insertion but also with targeting segmentation, privacy, consent management, measurement, reporting, settlement and more. The solutions focus on service providers' holistic needs to deliver a premium TV and advertising experience while maximising monetisation.

Innovative revenue models, like "freemium-to-premium," combined with TV and advertising analytics that provide the service providers with a holistic and insightful view of their services enable monetisation optimisation. They are empowering service providers to make the maximum out of their assets: content and data.

Taking Targeted Advertising to the Next Level

With complexity issues being addressed, targeted advertising is a real opportunity for operators to boost their revenue. Leveraging TV data via AI and ML, operators can target individual households and viewers with relevant ads.

A major application for targeted advertising is replacing ads in linear primetime content. Not only does this approach increase the number of ad slots without increasing ad load, but it also allows broadcasters and operators to charge premium rates for advertising, leveraging the TV data, thus increasing their revenues.

Today, we are witnessing traditional TV advertising diverting to digital and a massive increase in digital video ad spend. Targeted TV advertising is a must in order to gain back the TV advertisers and bring new features to TV, while also attracting local and niche advertisers that were previously out of reach.

Beyond using targeted advertising in linear primetime programming, there is an abundance of additional opportunities where operators can put their first-party data to good use.

- **App UI:** Operators can increase inventory by serving ads within their app UI. When users are actively interacting with the UI, such as when browsing content, it is the perfect opportunity to deliver personalised ads.

- **Catch-up TV:** Catch-up TV content is another hidden revenue area for targeted advertising. In recent years, there has been a huge shift in viewing patterns to time-shifted TV, where users are watching linear broadcast content via on-demand cloud PVR services such as catch-up and network recording (NPVR). In the UK, viewers spend an average of about 30 minutes watching time-shifted broadcast television per day. Using targeted advertising technology, operators can deliver personalized ads within catch-up TV content and capitalize on this growing market.

- **Promotions:** Today's market is highly competitive. There are many different companies offering triple-play services, and targeted advertising can be used effectively by operators for self-promotional purposes. Targeted advertising provides

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operators with a valuable route to increasing the efficiency of their own promotions, both for additional services and for specific content. Moreover, it is an effective method to engage viewers and decrease churn, as viewers have been shown to respond more favourably to targeted ads. An Aducent study found that 71% of consumers prefer personalised ads.

- **Freemium Services:** A growing number of operators are focusing on freemium services for targeted advertising. Freemium streaming services are popular with consumers today, offering them access to limited content for free, with the option to pay for additional features and more exclusive programming. Leveraging targeted advertising, operators can offer free, or almost free, access to content while still making significant ad revenues. Targeted advertising helps operators increase their market penetration and creates leads that have the capacity to convert viewers from freemium to premium in the future.

Strategies for Simplifying the Delivery of Targeted Advertising

Given all of the revenue opportunities that exist for targeted advertising, it is imperative for operators to get in the game. Delivering target advertising can be lucrative, with the right solution. Having a unified, targeted TV advertising solution is especially critical. An end-to-end system allows operators to serve all audiences and efficiently deliver advertising from all sources, including local, global and online advertisers.

To fully monetise targeted TV advertising, operators should deploy a solution that supports all business models and focuses on their needs. This is important because it will ensure that operators are maximising their monetisation opportunities via targeted advertising in new ways, including in linear TV, catch-up TV, NPVR, VOD, and in-app UI for freemium and premium services.

Another factor to consider when launching targeted advertising is viewers' privacy. Operators need a targeted advertising solution that protects viewers' data in compliance with GDPR

and other privacy-related legislation. This can be achieved by an embedded consent management system and enforcement of secured and anonymised personal identifiers transmission throughout the entire targeted advertising ecosystem. The anonymisation of the identifiers not only ensures easier compliance with regulations, but it also creates a walled garden with lucrative and exclusive audiences that can't be reached outside of the operator environment, which leads to higher CPM rates.

Finally, to succeed at delivering targeted advertising, operators need a keen understanding of users and household compositions. A targeted TV advertising solution with powerful AI-based data analytics and insights will optimise the efficiency and scope of operators' target audience segmentation, ensuring highly effective advertising and more personalised television experiences. With a targeted TV advertising system powered by AI-based data analytics, operators can increase ad rates, improve engagement, and extend audience viewing times.

Conclusion

Targeted advertising has emerged as a rich opportunity for operators. As they look to generate new revenue opportunities in today's ultra-competitive TV market, targeted advertising represents a simple way to increase viewer engagement and gain additional advertisers and ad revenue. The applications for targeted advertising are limitless, spanning from catch-up TV to freemium services and even within the app UI itself. With a unified targeted TV advertising system that supports a wide range of business models, operators are empowered to monetise their first-party usage data.

For more information, see www.viaccess-orca.com/targeted-advertising