# THE FUTURE OF TV

A BLUEPRINT FOR DATA DRIVEN MEDIA SALES

SintecMedia

"The problem continues to be how complicated it is. How do we serve regional, national and local customers? How do we get them to understand how video works, how targeting works? We have some systems over 10 years old, so how do we structure campaigns on this?"

**–Pete Petrizzio, Charter Spectrum Reach**

# THE FUTURE OF TV
## A BLUEPRINT FOR DATA DRIVEN MEDIA SALES

Media companies have weathered many innovations successfully: the rise of cable and satellite, DVRs and the internet. Throughout these changes, TV still takes in billions of advertising dollars annually. The next wave of change is already happening – audience targeted TV.

A recent report from Omar Sheikh, director of Equity Research at Credit Suisse, bets that advances in TV technology will open up a $100 billion revenue opportunity by 2030. With any growth market, there are as many pitfalls as there are pots of gold for the media companies involved.

**Opportunities from Audience Targeted TV and Video:**

- Premium pricing
- More data and better targeting
- Technological advances including attribution

**Threats from Audience Targeted TV and Video:**

- Added cost to invest in infrastructure
- Complicated sales, delivery and measurement processes
- Different competitors including Facebook, Amazon and Google

Media companies can be sure that everyone will be working quickly to take advantage of the opportunity, but only the prepared will avoid big problems. In order to get it right, a strategic leap forward will work better than a series of haphazard baby steps.

*Graphs and charts included in this whitepaper are based on results of SintecMedia research*

# THE DATA EFFECT

Competition for market share is heating up. In the global survey that accompanied the Credit Suisse study, CMOs across Europe, Asia and the US replied that in the same timeframe, 73% plan to grow online spend, the most across all ad channels. In other words, as TV goes targeted, digital will continue to expand and exert influence over other channels.

Even though TV is a huge legacy channel for buyers, digital is dictating many aspects of the future of TV, and, in particular, the future of targeted TV. Digital as a category is so influential over the way buyers want to buy and sell in the future that buyers now prefer audience reach metrics over all other metrics for converged TV and digital media buys. (See chart on page 5.)

That influence doesn't always produce good results. Programmatic advertising on digital platforms may have opened the floodgates to targeted advertising, but the way programmatic works on digital doesn't work for TV. On TV, the complexity is not from the multitude of ad impressions, but from the combination of data sources, delivery mechanisms and the processes that surround proposals, planning delivery and reporting.

**Today there are four major categories of targeted TV offerings:**

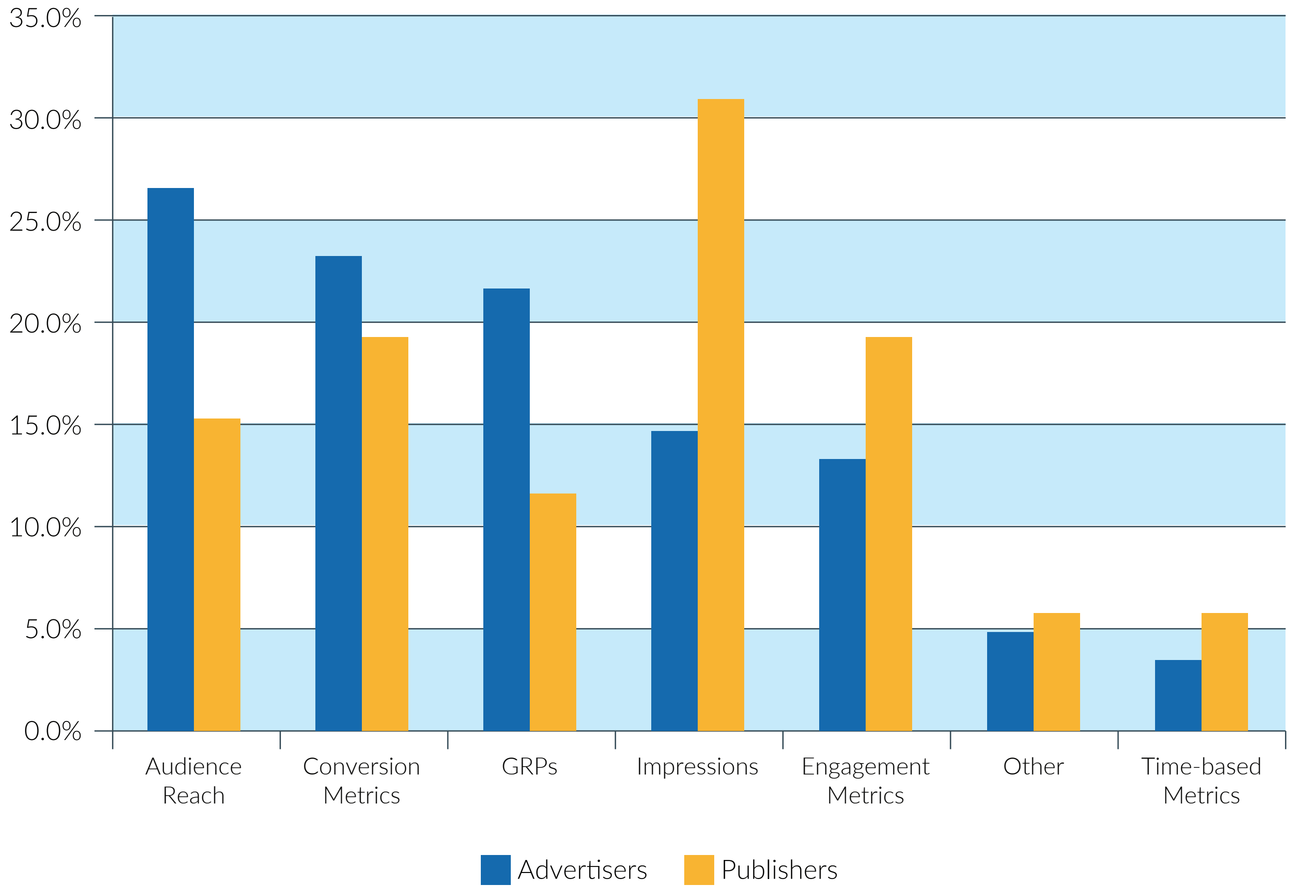
- **Addressable TV**
- **Contextual Audience Networks**
- **Programmatic TV**
- **Video on Demand**

Each category includes different data sets, from set top box data to behavioral characteristic data as well as different delivery mechanisms, from MVPDs and third-party vendors to video ad servers and new attribution models.

Enter today's Upfront. Media companies are announcing audience-driven strategies that create complexity, from eliminating common Nielsen-based metrics to requiring multi-channel delivery with unknown pacing and pricing variables.

To entice buyers, media companies need more than audience data; complexity will eventually drive buyers away. Media companies need to offer a streamlined, automated way to buy—one that competes effectively with the two digital audience targeting powerhouses, Google and Facebook, which make up nearly all of the growth in digital spending in the past year.

## Which campaign metric would be most useful for a converged TV and digital media market?

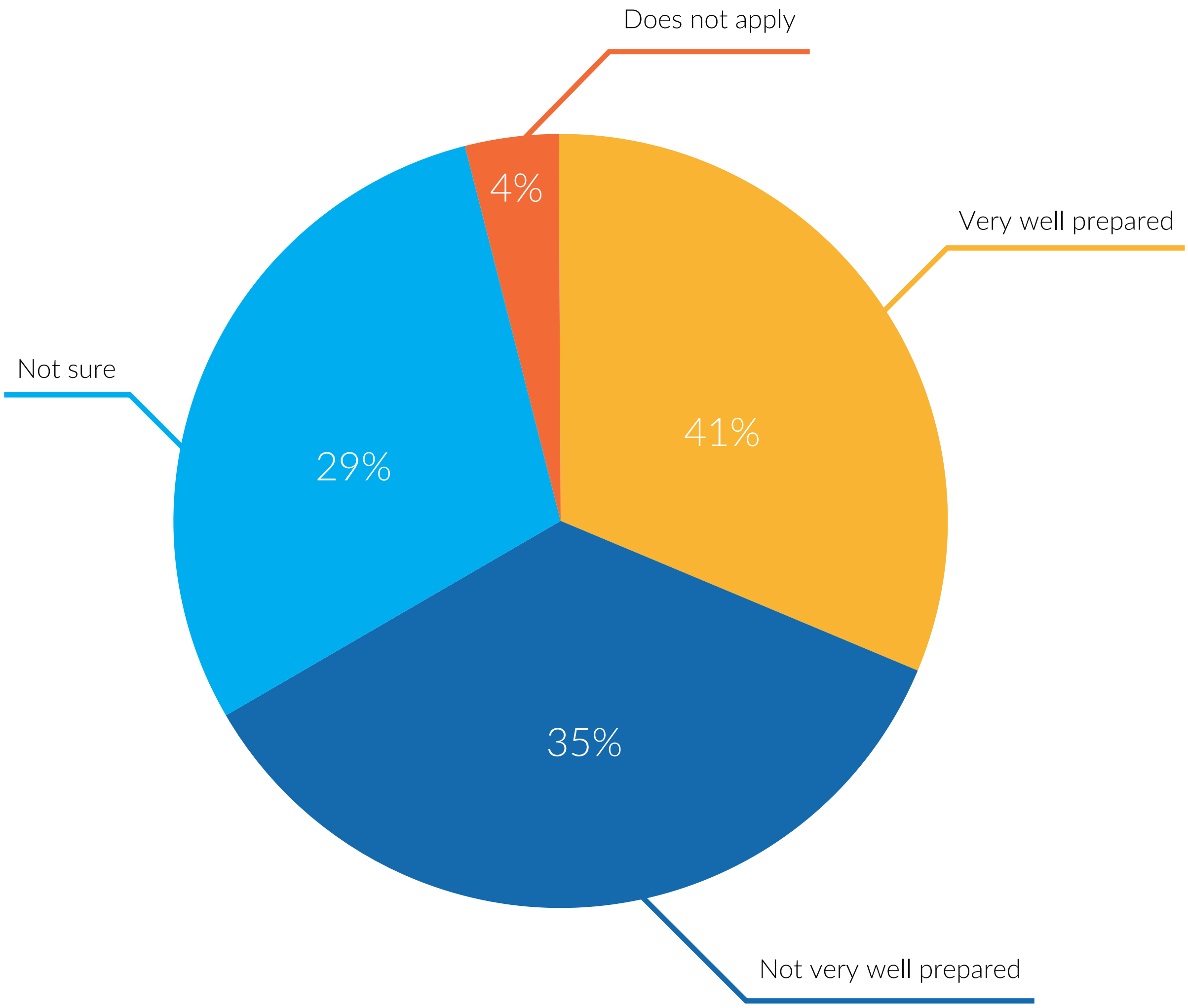



> Everyone has these fused data sets. You need to combine Nielsen-like data with behavioral digital data like Acxiom, etc. The problem is that you're using them in ways that are 'frankendata' – quality suffers big time. We need more common guidelines and policies.

**–Michael Strober, Turner**

Mark Pritchard, CMO at P&G, admitted his company had gone too far into hyper-targeting on Facebook, and planned to pull back. But the reason this happened was because it was just so easy. The real allure of platforms like Facebook and Google is not just the targeting, it's the fact that they work fast, are easy to use, and offer big scale.

## How prepared is your company to sell traditional and advanced TV or digital video in one streamlined process?




> Media companies go on sales calls and customers tell them what they expect. The future is a data-driven, automation-driven future.

**–Peter Naylor, SVP Advertising Sales, Hulu**

# THE THREAT OF SLOW, HARD AND SMALL

In a parallel market – print – publishers didn't internalize advertiser demand for "fast, easy and big." They relied heavily on a messy ecosystem of self-interested vendors, and now contend with a "slow, hard and small" ad business.

Television media companies have an opportunity to do better. But will they?

**Consider the recent moves media companies have made to offer advertisers targeted inventory on their own terms, even leaving aside Nielsen-based GRPs.**

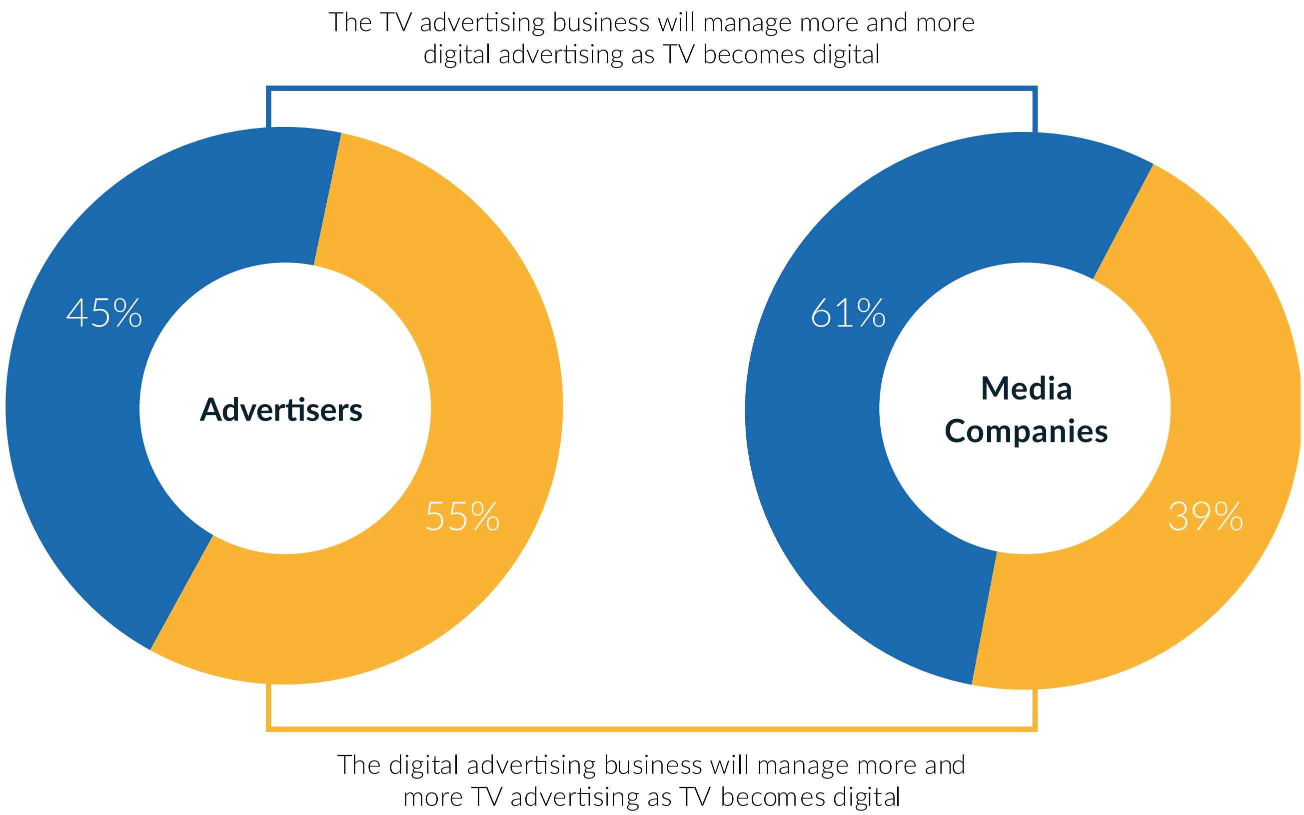
- NBCU announced that it would carve out $1b worth of inventory to sell at the 2017 Upfronts through its own Audience Targeting Platform instead of using Nielsen.
- Fox, Turner and Viacom announced an alliance to provide information about audience data in a platform called OpenAP. Tellingly, the alliance asserted that audience-based deals don't work if every media company uses its own system, and yet today any OpenAP media buy must be completed separately for each media company using its own process and technology.

These announcements of audience-targeting offerings from major TV companies are a good start, but imagine what the advertiser media buying landscape looks like if every media company offers a different form of targeting that doesn't play nice with other companies or even with digital. This is already starting to happen—from additional contextual audience networks from Discover and A&E to partnership announcements with a wide array of third-party vendors like Visible World and INVIDI.

The Fox, Turner and Viacom alliance asserts that standardization and scale are the key to data success for TV companies. This works best when companies work to create standard terms and processes and open, flexible technology.

Media companies can't delay. Today, advertisers are already thinking and speaking differently than their media counterparts. While more TV executives believe that TV will take on more and more digital activity as the two categories merge, buyers believe just the opposite. This creates logistical headaches, problems with definitions and contracts, and different systems. An open discussion now will help push everyone in the same direction.

## As TV and digital media evolve, please select which scenario is more likely to occur at your organization:




> “A lot of people talk about how digital will overtake TV, as if they are competing. I believe the companies that will be most successful will think of them as complimentary mediums.”

–Bill Murray, Vice President, Sales Planning and Strategy, Scripps

**There are many examples of slow, hard and small in today's TV market that threaten to derail a streamlined strategy:**

**Slow**

- Manual sales planning with 24 hour+ turnaround
- Manual GRP forecasting with multi-day lead times
- Excel-based proposals that must be keyed into multiple systems
- Manual performance reports delivered post-campaign only

**Hard**

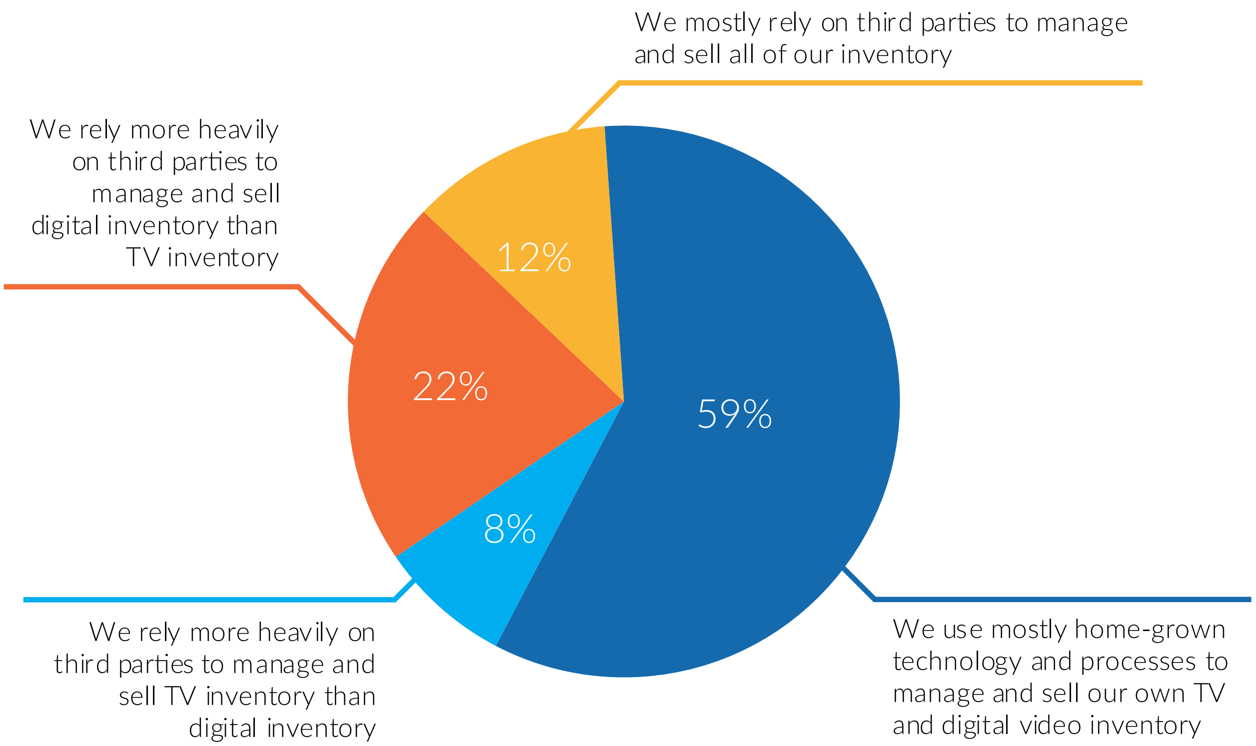
- Multi-channel sales that each use different systems to create proposals
- Cross-channel make-goods with different metrics that don't align
- Audience data and inventory availability in different systems

**Small**

- Limited inventory set aside for targeting
- Inability to scale audiences across channels
- Lack of insights at the end of the campaign

P&G recently told a network partner that their audience buying process was too difficult to use. P&G required the network to switch to the ONE by AOL sell-side platform (SSP) in order to stay on the media plan. The switch costs 15 percent on topline revenue, not to mention data and control. Every media company struggles to balance their own interests with those of their clients. In fact, the majority of media companies are working off of proprietary technology, creating a difficult buying situation for advertisers, who in turn push for a switch to a pricey SSP. Media companies must make a concerted effort to find technology partners that offer fast, easy and big solutions without a tech tax, or lose a lot of revenue to middlemen.

### Please select the scenario that most accurately describes your advertising operation




> “Singular operational support is a challenge for linear and digital. Things as simple as creating an IO are difficult due to the unique complexities of each industry. Add in different trafficking processes and reporting systems; you begin to understand the challenges we may face with things that today are simple.”

–Bill Murray, Vice President, Sales Planning and Strategy, Scripps

# EARNING A SEAT AT THE TABLE

Today, media companies are focused on building audience targeting capabilities as quickly as possible, without stopping to make them easy to use or scalable in the future. This is like building a seat for a stool without considering the legs. Selling an audience campaign is one thing. Delivering it in such a way that it's repeatable for advertisers and profitable for media companies is another.

**The problem with complex, disjointed offerings:**

- Create planning, proposal and delivery issues
- Limit scalability
- Hinder optimized delivery
- Create an "ad tech tax" by relying on middlemen
- Reduce long-term profitability

Most importantly, complex, disjointed offerings turn off buyers who will have increasing choice.

While TV companies start to put their audience targeting plans into place, remember that success is founded on fast, easy and big.

Racing to partner with middlemen who focus on cross-partner arbitrage is not the answer. Print companies handed power over to third parties in the form of negotiating control, data and optimization and have lost ground in the process.

The biggest problem today is that the seat itself – the audience targeted offering – is already complex. Consider the current offerings by NBCU, one of the most advanced television media companies in the world.

The company offers eight forms of TV and video targeting:

## NBCU's Eight Forms of TV & Video Targeting

| | |
|---|---|
| TV | ATP, NCBU+, NBCUx Linear |
| Digital | NBCUx Digital PMP, NBCU Programmatic Guaranteed, NBCU Digital Audience Targeting, NBCU Social Sync |
| TV and Digital | Audience Symphony |

If this combination of contextual audience network, linear optimized, programmatic and video on demand is allowed to grow organically based on separate plans and processes, it will inadvertently wall off inventory and hurt scale and yield.

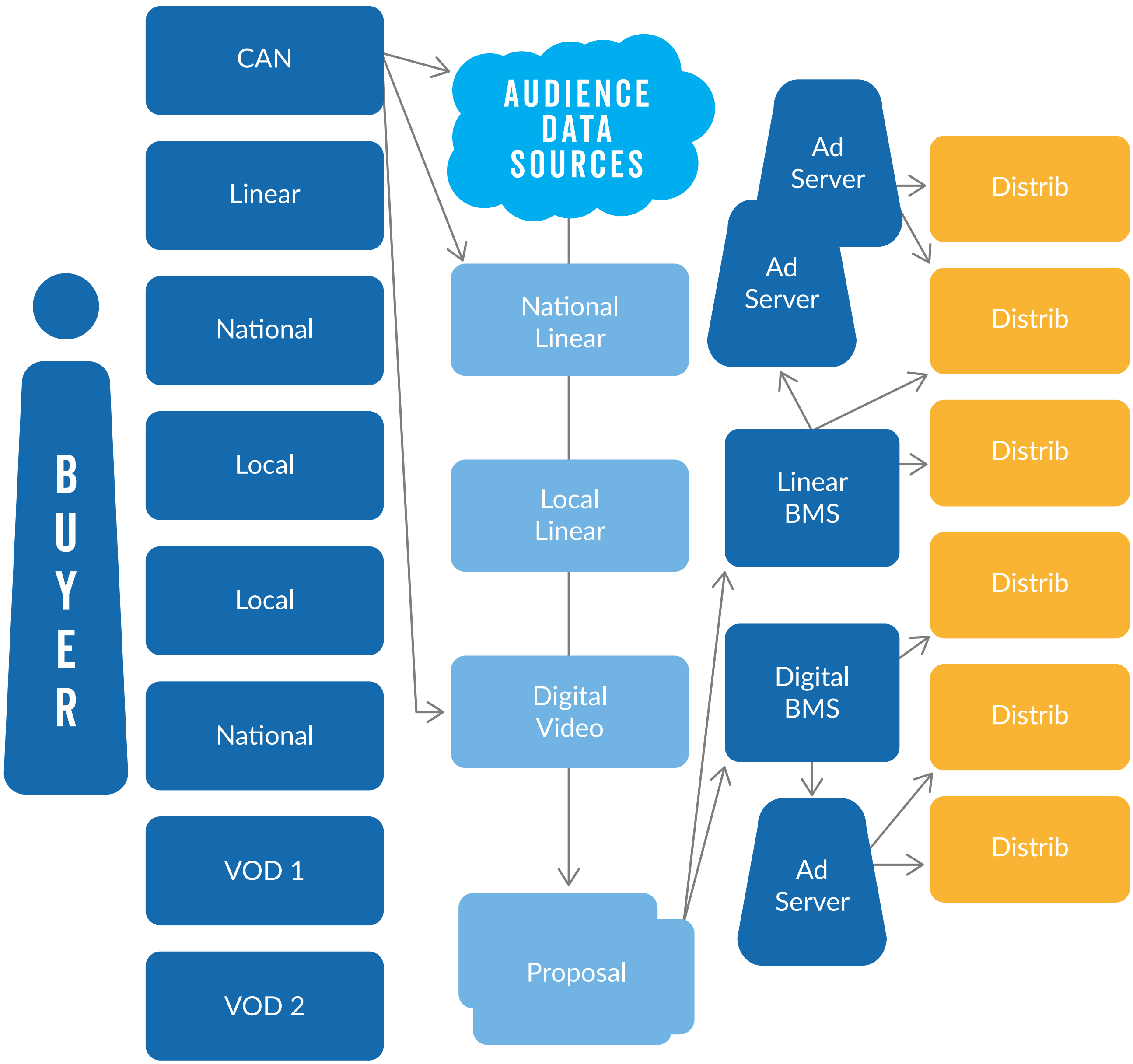
> “The goal is to be uncomplicated, so that an agency can buy in, see how they're doing across everything, bill easily and roll everything up so that anyone can understand it.”

**–Pete Petrizzio, Vice President of Technology & Architecture, Charter Spectrum Reach**

**There are two issues to address as media companies move from experimentation to automation:**

1. **Need to consolidate the buyer proposal.** Buyers want the best offering across products, and that is what sellers should be able to deliver.
2. **Need to optimize seller profits.** Imagine how it would look when all eight processes are at work – with such decentralization, the ability to make the best pricing and placement decisions is nearly impossible.

The example below, which illustrates a hypothetical current workflow for a single form of audience targeting.



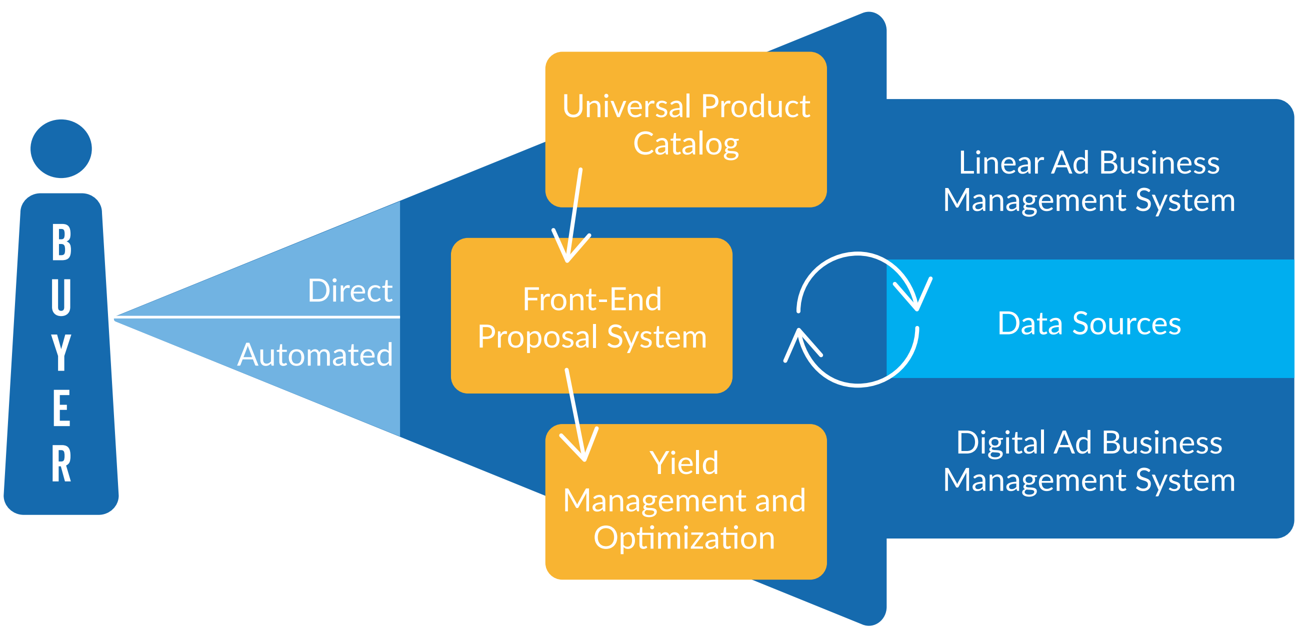
# BUILD YOUR OWN SEAT AT THE TABLE

Every TV company has a different footprint, from MVPDs to National Broadcasters to Local Broadcasters, Programmers, and the many conglomerates that offer combinations of these distribution channels as well as video, social, mobile and more. Yet these principles are largely universal.

Media companies with a mindset for fast, easy and big can think about how to set a strategy for their business as a whole – not one product or one partner at a time. Consolidation and Automation can address buyer and seller needs.

> “We're starting to operate like a portfolio. We used to have a silo or vertical orientation, where news was separate from entertainment, etc. We believe marketers are working with more partners today and we wanted to give them one primary contact that could speak to all assets.”
>
> –Michael Strober, SVP Ad Sales, Turner

Build Your Own Seat at the Table



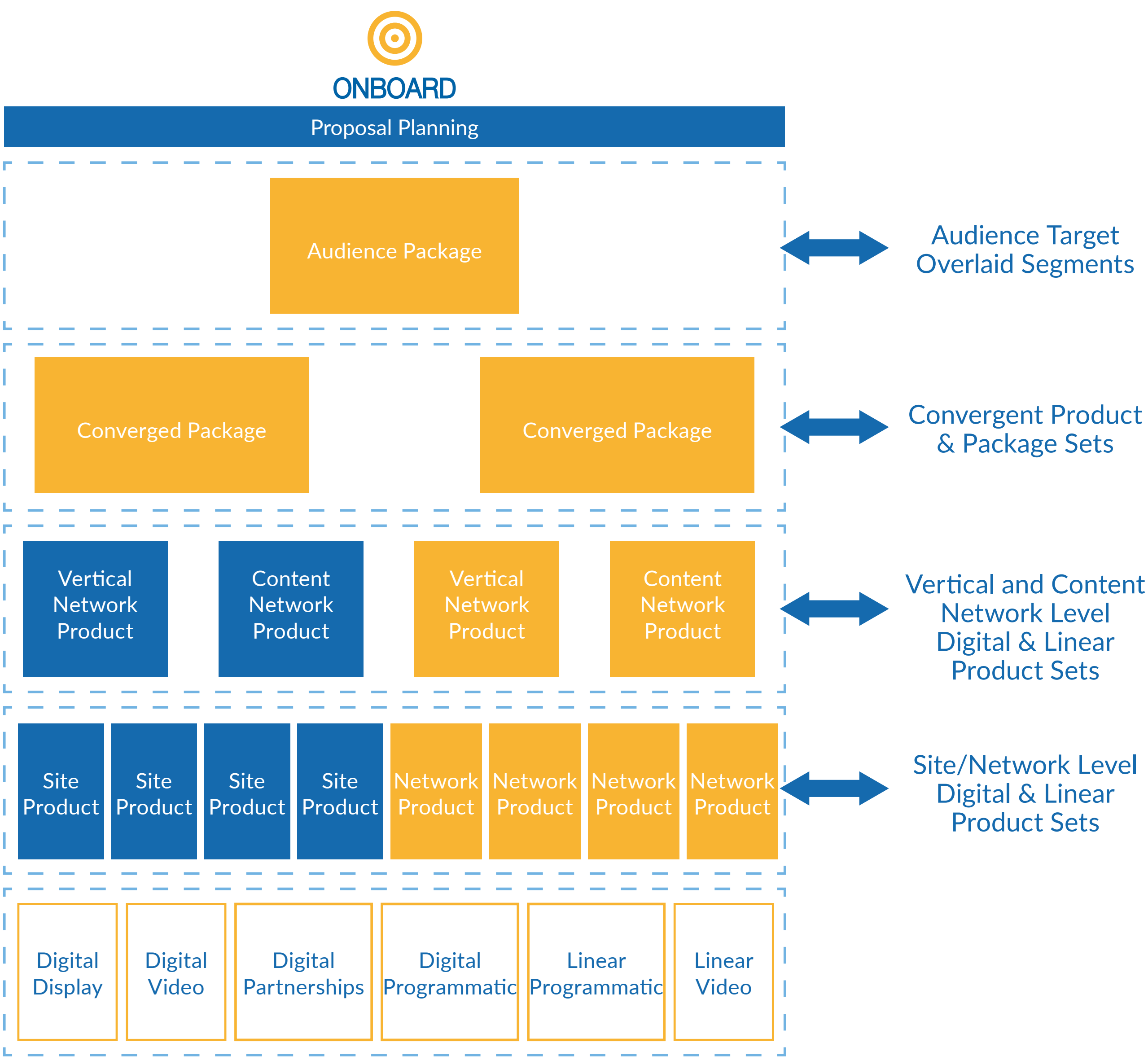
There are three key elements that media companies must have to deliver audience targeted media profitably and at scale.

## 1. Fast – Universal Product Catalog

This is the layer that takes sites/spots/data build products and packages in a channel / cross channel/ cross screens and adds data on top of it.

Linear ad sales used to be horizontal, selected across a schedule of content. Today, it is also vertical: for each time slot or placement, there is also audience data, screens and channels to consider.

### Creating a Taxonomy Structure



The universal product catalog contains all product dimensions, from distribution channels to ad formats to data targeting details as well as pricing information. This central hub is the cornerstone of a scalable, targeted TV strategy.

A universal product catalog allows media companies to speed up their negotiation, proposal and delivery.

Regardless of a media company's focus, a universal product catalog acts like glue to hold the ad business together in the face of increasing complexity.

**Media companies are best served when product offerings are centralized, for several reasons:**

- **Sellers can more easily create complex multi-channel proposals that rival leading TV media companies and digital platforms.**
- **Planners and strategists can price products in relation to one another in order to maximize return.**
- **Data teams can more easily compare similar product offerings such as two different products targeting business travelers.**

"We are on a very good path, but we have a lot of work. The more we get into this, the more we uncover areas to address."

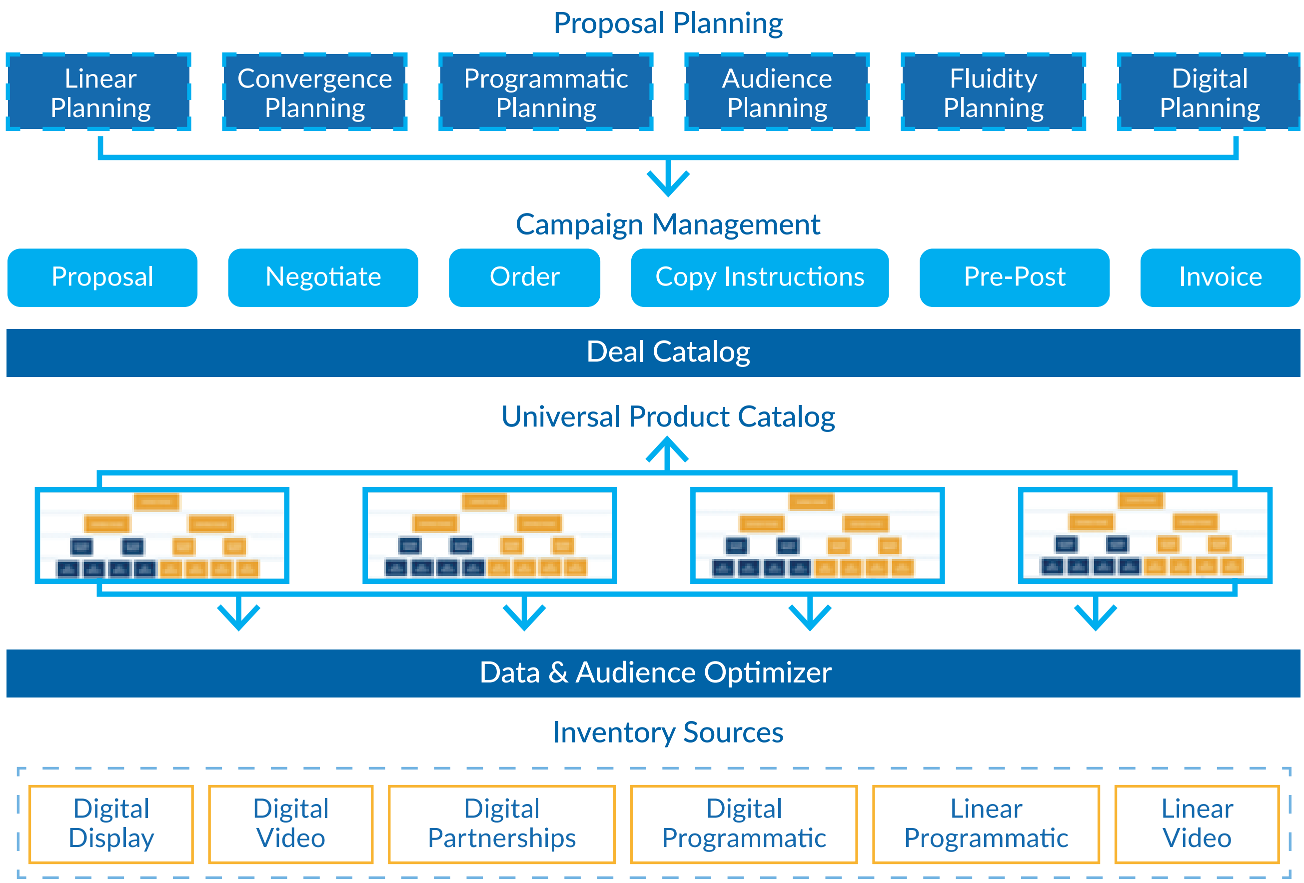
–Michael Strober, SVP Ad Sales, Turner

## 2. Easy – Unified Front-End Proposal System

Some European media companies have already automated much of the proposal phase of linear TV, but many US companies remain tethered to their strategic – manual – process. Every seller wants to make sure they remain in control of their pricing and proposal management, but these processes must be unified and streamlined to remain relevant to buyers who are used to easy, automated audience buying on digital media. A good front-end proposal system empowers a media company to offer advertisers a single insertion order across a host of products and channels while maintaining pricing and product control.

For the media company, the front-end proposal system is literally the face of the company, either as a companion to the seller as they put a deal together, or as an automated self-service dashboard for the buyers. A good front-end proposal system must be open and easy to integrate with. It should seamlessly connect to and ingest product and audience data for as many systems as the media company requires.

### A Seamless Front-End Proposal System



**Different media companies interact with buyers in different ways, and need to prioritize an automated front end accordingly:**

- Local networks may have fleets of thousands of local sellers who are looking for a competitive answer to Google and Facebook.
- National sellers may be looking for a way to better aggregate offerings across video and linear. Some buyers may prefer automated or programmatic buying, while sellers want to make sure they can moderate pricing across the two.
- MVPDs and Conglomerates need a layered approach that provides consistency for huge, multichannel buyers.

## 3. Big – Omnichannel Yield Management and Optimization

Audience targeting options on their own island don't offer enough scale to satisfy advertiser demand. Sold separately, they also don't offer big profits for media companies. Media companies need a way to knit together audiences across channels to achieve scale, and optimize these campaigns as a seamless whole. Easier said than done. As assembling products moves from horizontal to vertical (channel, screen, data), complexity gets significantly worse. A typical media operation uses the following formula:

### Products x Data x Channels x Screens = CHALLENGE

Without careful planning to knit data and operations together, optimization across these elements can become nearly impossible. To maximize placement and delivery with so many variables requires automation and coordinated teams.

Automation and optimization is typically where third-party vendors have outpaced media companies in the past, causing media companies to rely too heavily on outside partners that do not integrate with the disparate parts of the business. This decentralization through third parties slows down operations, limits data and insights, and lowers margins – all of which seriously hamper a media company's power over their own long-term growth. TV companies have a window of opportunity to create their own, centralized optimization and yield management practice now, as they plan their future. With a central, coordinated focus on yield, media companies remain in control.

### Elements of Yield Management and Optimization

| | |
|---|---|
| **Inform Proposal** | Help seller select most profitable combination of products |
| **Inform Pricing** | Calculate topline pricing for proposal as well as channel-specific prices for delivery |
| **Drive Campaign Performance** | Feed mid-campaign analysis and optimization |
| **Minimize Delivery Issues** | Help reallocate spend across channels to maximize pacing, eliminate over-runs and make-goods |

# SUMMARY

Audience Targeted TV is a $100 billion opportunity. Media companies must create world-class offerings for advertisers in order to compete. While media companies can currently offer audience and content, digital competitors offer audience and automation. To capture the leadership position in the market, media companies must focus on automation and streamlining their processes to deliver on “fast, easy and big.” These elements make up the not-so-secret sauce that has driven the phenomenal growth of Google and Facebook, who are both setting their sights on video, and targeted TV products with offerings like Google Fiber and Facebook’s TV viewing app.

Similar to building a plane while flying on it through the air, it can take nearly superhuman strength to focus on building a streamlined solution that works across a disparate array of teams, products and technologies. But the alternative is worse – disjointed, unscalable products and lower profits. Now is the time to chart a course for success.

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