

ADDRESSABLE ENTERS THE MAINSTREAM

Insights Powered by DIRECTV Advantage

DIRECTV
ADVERTISING



INTRODUCING DIRECTV ADVANTAGE

DIRECTV's Data Solutions Suite brings together the best of data, technology and people to better understand your audience, measure the impact of your media cross-platform, and unlock new value for your brand.

AUDIENCE

IDENTIFY | TARGET

Leverage DIRECTV's deterministic audience and viewership data to identify and target your most valuable consumer using DIRECTV viewership data, third-party data, or your own first-party data.



CONNECT

PARTNER | EXPERTISE

Tap into a qualified team of experts to help navigate your data needs. Leverage DIRECTV's data partner ecosystem to access third-party data or match your own first-party data in a safe and compliant way.

IMPACT

INSIGHTS | MEASUREMENT

Understand the impact of your media against brand goals with transparent and robust measurement, while unlocking valuable pre- and post-campaign insights.

ABOUT THIS REPORT

This report covers findings from a study of US advertisers and references industry terms as they are defined below.

METHODOLGY

DIRECTV Advertising partnered with Advertiser Perceptions to survey 350 advertisers at the manager level and above who have purchased addressable TV advertising from a distributor (MVPD/vMVPD), programmer, or CTV provider within the past year. Agency and brand advertisers were equally represented. Advertiser Perceptions conducted follow up phone interviews with several advertisers. Responses were collected in Q3-22. Results were compared to a survey of 200 US advertisers conducted in Q3-21 and percentage point differences are reported.

GLOSSARY

ADVERTISING

Addressable: The ability to serve targeted ads to specific households or users based on deterministic identifiers, allowing brands to define and serve their message to the desired audience, wherever and whenever they're watching content, across screens & devices.

TV Advertising: Advertising that appears on a TV screen and can be served to broad demos or specific households within live or on-demand programming delivered on CTV or linear.

PLATFORMS

CTV: A TV set connected to the internet through built-in capabilities or through another device such as a Blu-ray player, game console, or set-top box (e.g., Apple TV, Google Chromecast, Roku).

Linear: A set-top-box or TV set that serves live programming through traditional signals (e.g. cable, satellite, over-the-air).

INVENTORY OWNERS

MVPD/vMVPD: Television service providers that offer video programming services via linear (MVPD) and CTV or digital endpoints (vMVPD) and can insert addressable advertising within their dedicated ad breaks (~2 min/hr. ad inventory) typically as part of the content owner carriage agreement (e.g. DIRECTV/DIRECTV STREAM, DISH/Sling).

Programmer: Owner or licensor of content that can insert addressable advertising within their ad-supported digital inventory or, when enabled, within national programmer commercial breaks on linear TV (~14 min/hr. ad inventory) (e.g. Warner Bros. Discovery, Disney Ad Sales).

CONTENT

VOD: Video that can be played on demand, which may also require a paid subscription (SVOD) and/or be ad-supported (AVOD).

Live: Programming that appears as scheduled on channels watched via cable/satellite/Internet TV subscription.

Premium: Video content that is professionally produced, rights managed and limited in supply.

DATA & MEASUREMENT

Attribution: The process of identifying a set of user actions across screens and touchpoints that contribute in some manner to a desired outcome, and then assigning value to each of these events, offering advertisers the opportunity to understand how media can drive sales, awareness, purchase intent and other measurable KPIs.

Measurement: The ability to track and count campaign impressions, often across different devices and channels (e.g. mobile/tablet and television).

First-Party Data: Data that is collected and processed by an organization or advertiser (e.g. CRM data, website visitation).



THE LANDSCAPE

There is a great deal of uncertainty playing into how advertisers plan and buy TV today.

First, there is concern for the economy and what macro challenges might lie ahead in the new year. Advertisers are also grappling with inconsistent standards for measurement and a shaky confidence in third-party validation.

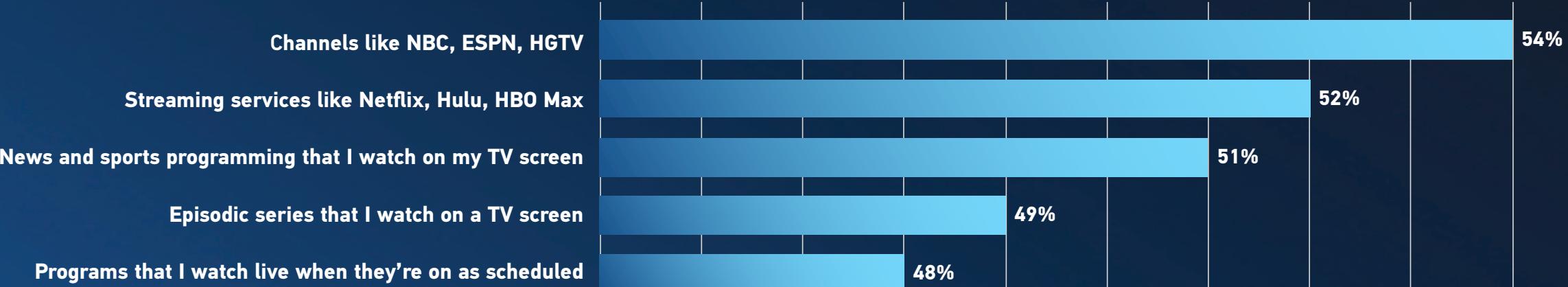
Finally, there is uncertainty with TV itself. What is TV and how do we think about it? Is TV inclusive of both linear and CTV? Does TV refer only to programming from traditional channels or does the definition extend to streaming services?

One thing is for certain, as advertisers navigate a convoluted environment, they need agile solutions to reach audiences across screens.

That's where addressable comes in. With both linear and digital use cases that go beyond targeting niche audiences, addressable has officially entered the mainstream.



Top 5 Definitions for TV According to US Consumers¹



THE RISE OF ADDRESSABLE

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ADDRESSABLE TODAY

This past October marked 28 years since the first reported appearance of a banner ad², which ushered in an era of targeted advertising never before seen by legacy channels like print and linear TV.

Digital media revolutionized the ad business as advertisers' expectations shifted with the newfound ability to reach and measure specific audiences, in real time.

Addressable TV advertising today is a demonstration of how far the industry has come. When it first came to market 10 years ago, addressable TV referred to ads served to specific households on linear via set-top-box technology. Today, it more closely resembles the converged video landscape in which advertisers are operating.

Addressable offers the best of TV and digital across screens and services. Distributors like DIRECTV, programmers like Paramount, and digital video suppliers like YouTube all make it possible for advertisers to reach audiences whenever and wherever they are watching across linear and CTV.



MAGNA forecasts that addressable TV advertising will generate \$7.9B domestically in 2022, reflecting a +373% lift over the past 5 years³. As more addressable opportunities become available, advertisers are clearly taking advantage.



of advertisers say addressable played an important role in 2022 Upfront negotiations



of advertisers are satisfied with results from their addressable TV initiatives (+5 YoY)

\$7.9B

2022 domestic addressable spend

+373%

lift in US addressable spending on TV sets since 2017³

CURRENT MARKET CONDITIONS

Addressable has entered the mainstream in large part because of increased demand for targeted ad solutions that meet goals across the funnel.

Fragmentation Across Screens and Services

Even as new streaming video services come to market, 51% of consumers consider streaming to be additional to and not a replacement of traditional, linear TV⁴. Advertisers are facing unprecedented audience fragmentation across media and addressable makes it easy to identify and reach audiences across both CTV and linear. With addressable, advertisers can also run across digital endpoints like mobile and desktop, ensuring they are managing reach and frequency across devices.



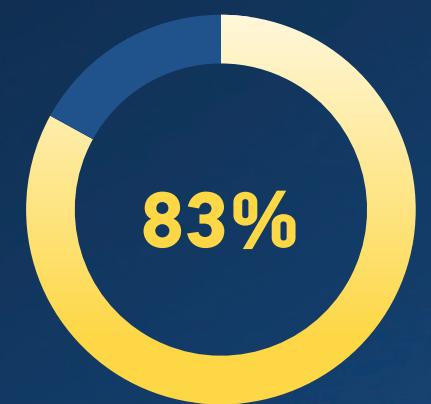
61% are satisfied with addressable's ability to plan across linear and CTV
55% say audience fragmentation will impact spend allocation over the next two years

“(In targeting Millennials)... we've just had to buy a lot of different areas because everything is so fragmented... we're buying streaming but we're buying streaming across every different network and platform we can, then buying the audience within those. - Agency Media Director

Full-Funnel Mindset for Marketing Strategies

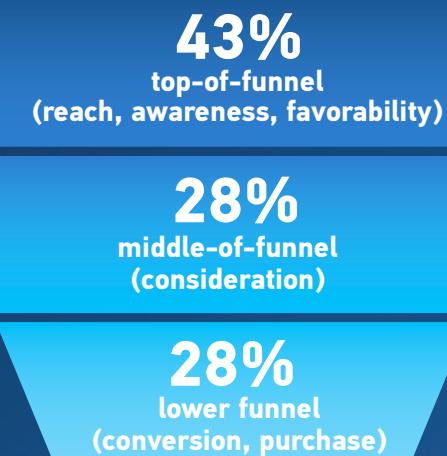
Digital marketers are moving away from siloed approaches to brand and performance marketing efforts⁵ while TV advertising, historically a reach vehicle, has become increasingly data-driven. In the beginning, advertisers used addressable like they would digital channels – to realize lower-funnel performance goals – but today 2-in-5 report using addressable to drive upper-funnel goals like awareness. Advertisers say that campaign KPIs have the greatest impact on media selection and so proving the effectiveness of addressable across the funnel has been key to its increased adoption.

“I think that's where a lot of providers stumble, they've got solutions that they've built that address a broad set of questions and problems, but they may not address our KPIs specifically. - Auto Advertiser



say buying addressable has increased their ability to meet campaign objectives (+6 YoY)

Average Annual Campaign KPI Composition Reported by Addressable TV Advertisers



HOW ADVERTISERS USE ADDRESSABLE

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Leveraging addressable translates to three primary use cases.

Use Case #1 TO REACH THE RIGHT AUDIENCE

Advertisers use addressable to reach viewers with a relevant message, whether they're watching live TV, playback, VOD or streaming.

Some advertisers, largely driven by the brand-side, turn to addressable to validate the investments they have made in first-party data curation and customer segmentation. The number of advertisers who say data is having a direct impact on their media decisions has grown, while the number that report their intent to invest in data has declined by six percentage points year-over-year.

Because of their investments in data...



83% made changes to budget allocations across media (+8 YoY)
82% experimented with a new advertising channel in the past year (+5 YoY)

Historically, reaching a specific audience on TV was the chief purpose for including addressable in planning especially as advertisers tended toward lower-funnel goals. Now, we see advertisers using addressable beyond targeting to drive better ROI through reach and frequency optimization...

Advertisers include addressable in their media mix...



52% for precision targeting (-7 YoY)
47% for better ROI (+7 YoY)



Use Case #2 TO OPTIMIZE REACH

The current state of linear presents its challenges. Over 80% of viewing in the US is consumed by just a third of the population⁶, and most advertisers say that this dynamic will impact how they allocate media spend over the next two years.

Advertisers recognize that addressable can deliver guaranteed impressions across a broad demo or an audience that they are not reaching with their national campaigns on linear. Plus, addressable can distribute impressions more evenly to prevent overexposure and ad wear-out.

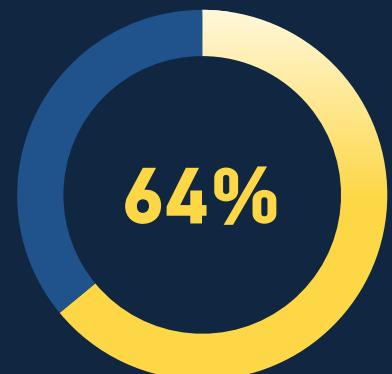
CTV also has its limitations. Despite growth in streaming, a lot of that viewing is not ad-supported. Data from Antenna TV indicates that fewer than half of subscribers opt in to the ad-supported tiers of leading streamers – HBO Max, Discovery+, Hulu, Peacock, Paramount+. Advertisers need to work across suppliers to achieve scale. The average publisher duplication rate is 32% but CTV campaigns with significant reach could see greater potential overlap⁷.

The result is limited streaming inventory across too many partners. 29% of CTV advertisers say they achieved fewer than half of their campaign reach goals last year. Buying addressable can be an effective strategy for extending reach of CTV campaigns and securing access to premium inventory.

4-In-5 Advertisers are Likely to Consider Addressable as a Linear Reach Extension



“If you're using addressable exclusively as a means of replacing linear, I think you have a very unique case or you're misguided. I think if you're using it to supplement what you're doing with linear, I think that that's a very appropriate use for it in almost every case. - Agency Director



are satisfied with their ability to extend the reach of a CTV buy with addressable



say limited CTV premium inventory impacts their media strategies



Use Case #3 TO APPEAR WITH PREMIUM CONTENT

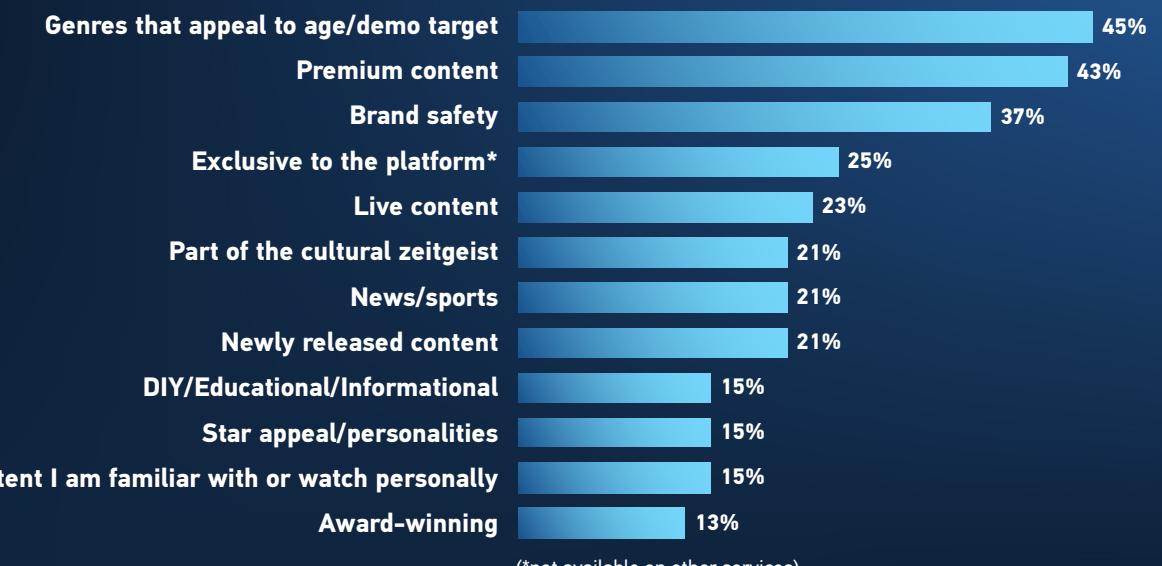
Nearly 3-in-5 advertisers expect that new ad-supported streaming services coming to market will have an impact on how they make their media plans over the next two years.

Still, limited premium CTV inventory remains a concern for nearly half of advertisers today. Agency and brand executives are increasingly turning to their addressable partners to secure premium inventory in linear. Forty percent of advertisers report buying addressable for access to premium content, representing an increase of eight percentage points year-over-year.

While more advertisers are taking an audience-based approach, context still matters. Contextual relevance ranks as the number one factor for considering in what content to advertise. Advertisers say they need flexibility to buy specific audiences while also aligning brands with different programs and genres. It is important that advertisers consider their TV advertising holistically – looking across linear, CTV and then how they apply addressable across both.

“I think the notion of contextual ad placement is missing a lot right now, as old and uncool as that may sound. I think we've gone to the extreme of, well, we're just going to go out and find this audience and wherever they are, doesn't matter because it's the right audience and that's that. – Agency Director, Client Services

Which of the Following are Most Important When Considering in Which Content to Advertise? (% Ranking 1-3)



MARKET CHALLENGES AND HEADWINDS

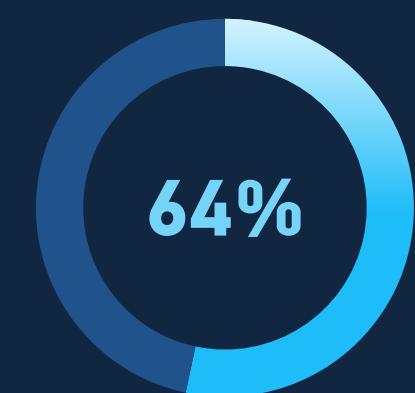
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MARKETING CONDITIONS THREATENING THE RISE OF ADDRESSABLE

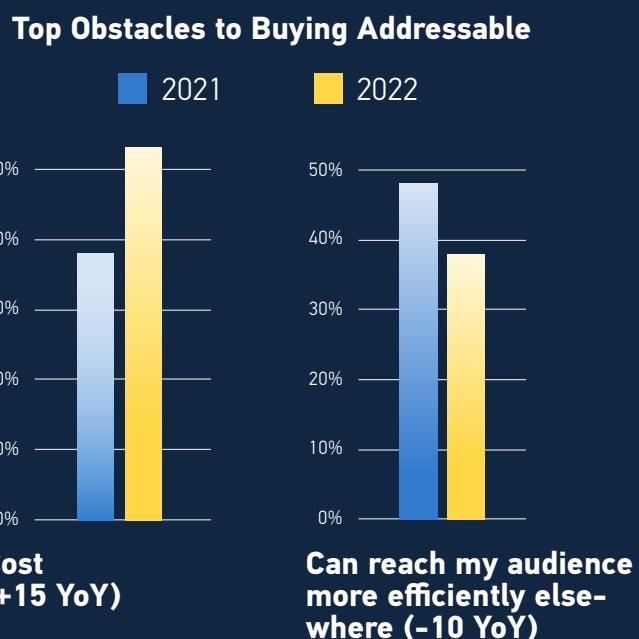
As much as changing market conditions have strengthened addressable's position in the marketplace, some trends do threaten its impressive rise.

Economic Pressures and Cost Concerns

Price routinely ranks as a chief challenge to buying addressable but especially this year as economic concerns weigh heavily on the minds of advertising decision-makers. Still, advertisers are far less likely to consider other channels as more efficient – those that say they are reaching their target audiences more efficiently outside of addressable are tending toward search and social.



say economic conditions will have the greatest impact on media spend over the next two years



Given smaller ad budget, the goal isn't so much diversification as selecting channels that will have maximum impact. - Agency Director

State of Measurement

As advertisers look to reach audiences across media, they note that the current state of measurement is stagnant, siloed, flawed, and fragmented. Still, they are not particularly excited by any proposed solutions and it is unclear who, if anyone, is taking the initiative to move the needle forward – within their own organizations or within the industry at-large. Ultimately, advertisers say they would invest more in addressable if they had a solution for measuring across partners.



say the below will impact their media spend over the next two years:

- Inconsistent measurement across platforms
- Lack of reliable third-party measurement validation



Nobody's closed the loop between being able to identify somebody who's watching a show and then tying that to their online behavior. There's still a gap, there's some who claim they can, but it's just all speculative. - Agency Director



What Can Advertisers Do?

Amid economic uncertainty, advertisers should make cuts not on price, but on performance. Consider using addressable to drive efficiency across linear and CTV and reach untapped audiences to increase market share. Smart short-term decisions will have long-term impact.



What Can Advertisers Do?

As a stop-gap solution, lean on media partners who can provide insight on campaign performance as well as best practices for meeting KPIs. Work with trusted attribution partners to prove out business outcomes when applicable.

LOOKING AHEAD

Addressable has enabled advertisers to meet specific viewers on their TV screens within scheduled and on-demand programming.

That flexibility has proven vital to increased investments in addressable but advertisers still demand speed and transparency. As addressable has evolved from its linear origins to include CTV, it's only natural that it would also enter the programmatic space. For addressable to continue its upward trajectory, inventory needs to be made available programmatically, and advertisers say there is still room to improve.

Addressable providers across linear and CTV are already working with ad tech partners to enable programmatic buying at scale. Among the players in this growing space, Yahoo is partnering with DIRECTV to provide their DSP customers with set-top-box data to plan, activate, and measure campaigns across inventory.

Addressable has proven it can respond and adapt to the needs of advertisers, and that isn't changing anytime soon.



1-in-3 are less than satisfied
with being able to buy
addressable programmatically



say they would spend more in
addressable with programmatic
solutions (+9 YoY)

BEST PRACTICES

Consider TV holistically; execute across CTV and linear

There is no mistaking that ratings erosion makes it challenging for advertisers to achieve their reach goals on linear. Still, CTV alone is not the solution due to the lack of premium inventory. Executing addressable campaigns across CTV and linear can maximize reach and distribute impressions more evenly all while reaching the right audience within premium content.

Balance addressable and contextual

It is important to balance addressable strategies with ad solutions that reach viewers in a contextually relevant environment. Only seeking specific viewers in a TV environment limits the potential to scale, with advertisers missing out on untapped audiences. By going too granular or too broad, an advertiser may reduce ROI.

Lean on addressable partners for performance insights

Advertisers should look to align on campaign objectives and run attribution for performance insights beyond media metrics. Addressable partners like DIRECTV can also report how addressable reached households underexposed by the client's national linear campaign, proving out efficacy of an addressable plus linear approach.

