MAKING MEDIA PAY

Content Monetisation

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Foreword

The video industry has always had a fast pace of change and evolution, however that is more true today than ever before. Changing consumption habits and demands, along with a large churn culture, added to the complexities of serving localised or personalised content to satisfy those, is making it harder than ever for broadcasters and video content providers to retain viewers and monetise their video content and services.

While FAST seems like the holy grail, it is not without its own challenges and complexities that will need to be navigated in order for providers to truly maximise the opportunities it offers. As mentioned in this report, this is even harder across regions with high demand for localisation.

Despite all of this, it is certainly not all doom and gloom for the industry. There is still a large appetite for good video content. The main shifts are around where it is being consumed, how much consumers are willing to pay, and the increased willingness to sign up to ad-supported services. While it is true there is no silver bullet to monetising a video service, getting the right balance here can certainly help with success. As highlighted in the report, there are a few key criteria that are important here. It is not surprising to see two of the biggest factors being having good content and curating that, so it is easy for viewers to discover and navigate. This is true whether your service is subscription or advertising-based, or even a mix of the two.

The shift towards ad-funded video services has been widely reported, with many of the large players even adopting a hybrid approach at the very least. While consumers are in general eager to move towards free content and are happy for that to be supported by advertising, the level of willingness changes depending on platform and region, as shown in the data within this report.

As more video providers shift to a more ad-funded model, being able to personalise those ads will be important for keeping consumer interest and adding value to advertisers to increase monetisation opportunities.

One of the biggest barriers discussed is the technical complexity involved in serving personalised and localised ads and services. This is becoming much more attainable thanks to better technology and the transition to the cloud and Veset is already helping video providers overcome these hurdles.

Gatis Gailis
CEO
Veset

MAY 2023

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Introduction

In *Making Media Pay*, the DPP and its members explore how media companies optimise revenue generation from their content assets. How do content companies manage their content rights, monetise their content, and then protect it from piracy and content theft?

This is a report about monetisation; it investigates strategies and business models, examines innovations in advertising technology, and looks at the approaches media companies and their technology partners are using to try and maximise monetisation of video content.

Which channels are delivering value to media companies, partners and consumers?

Industry trends suggest that the future is no longer all about SVOD, so what part will subscriptions play alongside other models? And how do you make FAST channels actually work? How have programmatic advertising exchanges and dynamic ad insertion transposed from publishing to audio and video channels? And is affiliate revenue and 'Shoppable TV' going to live up to a vision in which video content becomes the shopping mall of the future?

What is the future for SVOD – and how do you make FAST channels work?

Further reports in the *Making Media Pay* series explore *Rights Management* and *Content Protection* – although all these areas are interlinked. Companies will need to pay attention to all three to operate effectively. In *Content Monetisation* we speak to expert practitioners to better understand best practices in implementing business strategies and technology innovations, the direction of the industry, and how media companies are planning to monetise their content assets.

Executive Summary

1 Media companies are looking to transition from pure SVOD to ad-supported models

The media industry is moving away from the subscription-only economy, even though the SVOD market will continue to grow. Very few pure SVOD services will remain as players and platforms supplement their revenues with advertising, while investing in better data capture to improve the user experience and reduce churn.

2 Content providers are banking on a FAST stream to success, but there is no easy money to be made

Media companies see big opportunities to generate revenue from Free Ad-Supported Streaming TV services, but monetisation is much harder outside of the US, as audiences and yields are lower. To succeed, the cost of delivering the ad has to come down. Nonetheless, FAST is also an effective branding and lead-generation tool for SVOD offerings.

3 Though the opportunity could be huge, Shoppable TV trials are yet to generate big returns

Broadcaster trials with affiliate revenue and 'Shoppable TV' have generated returns, but they have been below expectations. However, the technology is maturing, and content providers could potentially reinvent themselves as the 'shopping malls of the future' if they work with partners, rights owners, and production companies to facilitate in-stream transactions.

4 Penetration of connected TVs creates the path for AdTech innovations

The growth of video consumption on internet connected TVs is a major enabler for various innovations in advertising technology, including interactivity, virtual ad placement, shoppable TV, dynamic ad insertion, programmatic exchanges, and more. But CTV manufacturers are becoming the new content aggregators, and are able to monetise the content journey as well as the content itself.

5 Rights management and content monetisation need to work hand-in-glove to maximise revenue generation

Many innovations in monetisation strategy and AdTech require rights holders and content distributors to be aligned; this is particularly apparent with transactional 'Shoppable TV' and when implementing dynamic virtual ad placement. As such there also needs to be a shift in thinking from rights as a set of restrictions, to rights as a commercial enabler.

Contributors

The content for this report has been gathered through research, workshops and interviews with subject matter experts. Valuable input has also been provided by our Expert Sponsors Ateme, Veset and Vimond, and by our Contributing Sponsors Backlight Streaming and Extreme Reach.

Although the content of this report has been informed by these discussions, it should not be assumed that every contributor shares all the views presented here. We are grateful to each individual for sharing their time and expertise with the DPP and their peers.

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1 Spend and consumption in context

Key Insights

Global advertising spending on television is forecast to climb

But as a share of the market, ad spend on TV is losing out to digital channels – including online video

Video consumption has also increased, alongside the shift to OTT services

The penetration of internet connected TVs has been significant, creating new monetisation opportunities

Ad spend on connected TVs is growing, as advertisers seek to reach audiences and leverage AdTech innovations

At the simplest level, there have been two main ways of making money from TV for commercial media companies.

First, provide free content, supplemented by advertising and sponsorship to generate revenue.

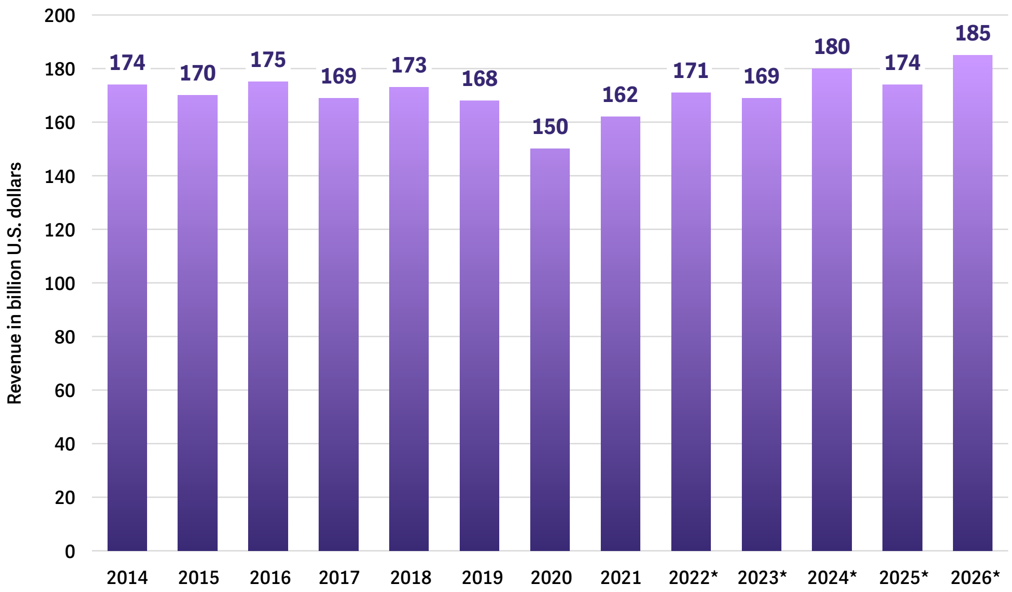
Second, charge the viewer a subscription fee to access video content. This method began with paid-for cable TV operators, many of which became IPTV offerings. The most recent iteration is the rise of subscription video on demand (SVOD) services offered directly to the consumer.

But in order to better understand the nuances of content monetisation, we first need to understand trends in consumer behaviour and advertising spending in the media industry.

A mixed outlook

The positive news for media companies is that viewers love consuming video content, while global television and Connected TV advertising revenues are forecast to climb over the next few years, reaching $185 billion by 2026 according to GroupM.

Global television advertising revenue from 2014 to 2026 (in billion U.S. dollars)

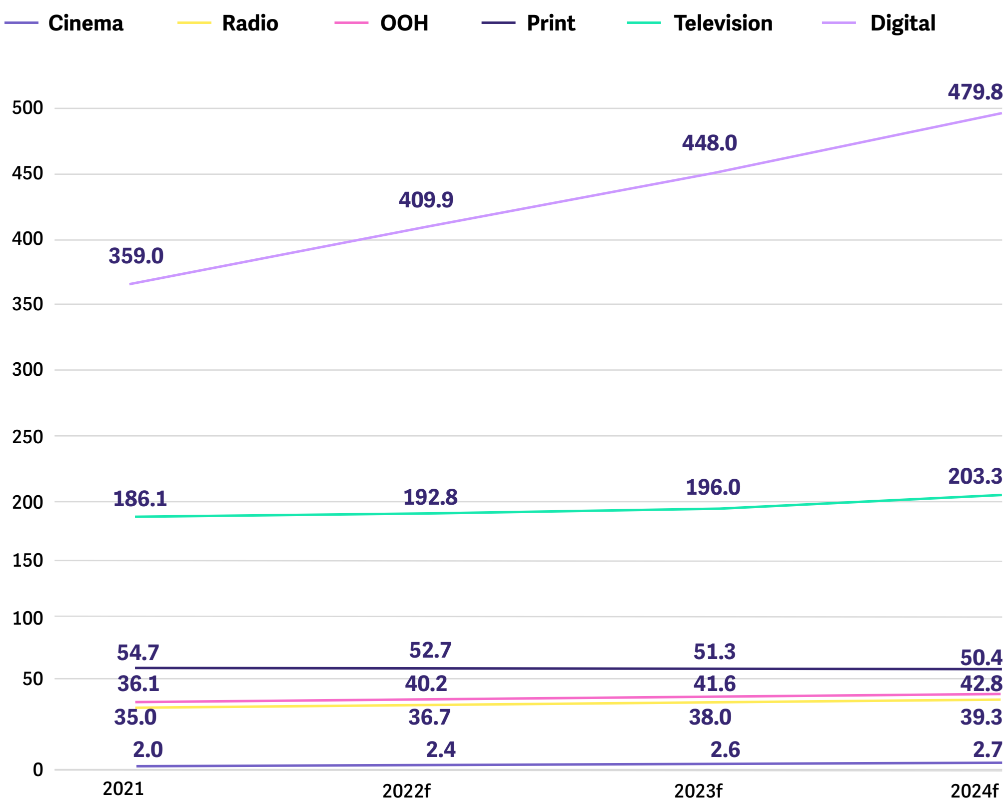


*Forecast
Source: GroupM

Global TV advertising spending is forecast to increase

But the market is challenging, and has been impacted significantly by global economic conditions and the post-pandemic recovery. Even though advertising spending on TV will increase, as a share of global spending television is losing out to digital. That's according to the dentsu Global Ad Spend Forecast published in July 2022. (Digital video is included in dentsu's 'Digital' forecast, with BVOD and linear TV in its 'Television' forecast.)

Ad spend evolution by channel, 2021-2024f (US$ billion)



TV ad spend is increasing, but the real growth is in digital

The digital spend itself is driven by increases in video, described by dentsu as "the digitalisation of traditional media", as well as programmatic advertising, which we will explore in more detail in Chapter 3.

Video consumption

There is a similar picture for TV and video consumption; viewers are as engaged as they have ever been in video content – or even more so. Forrester research in 2021 showed that people are watching more video than they were before the pandemic. But they are using different channels.

> **Between 2010 and 2020, offline TV/video consumption declined from 13 hours on average per week to 8.6 hours. During the same time, online TV/ video consumption increased from 1.7 hours to 7 hours.**

This is a net increase in viewing, even if the shift is away from watching 'traditional' live TV.

> **Consumer preferences are shifting to watching OTT video**

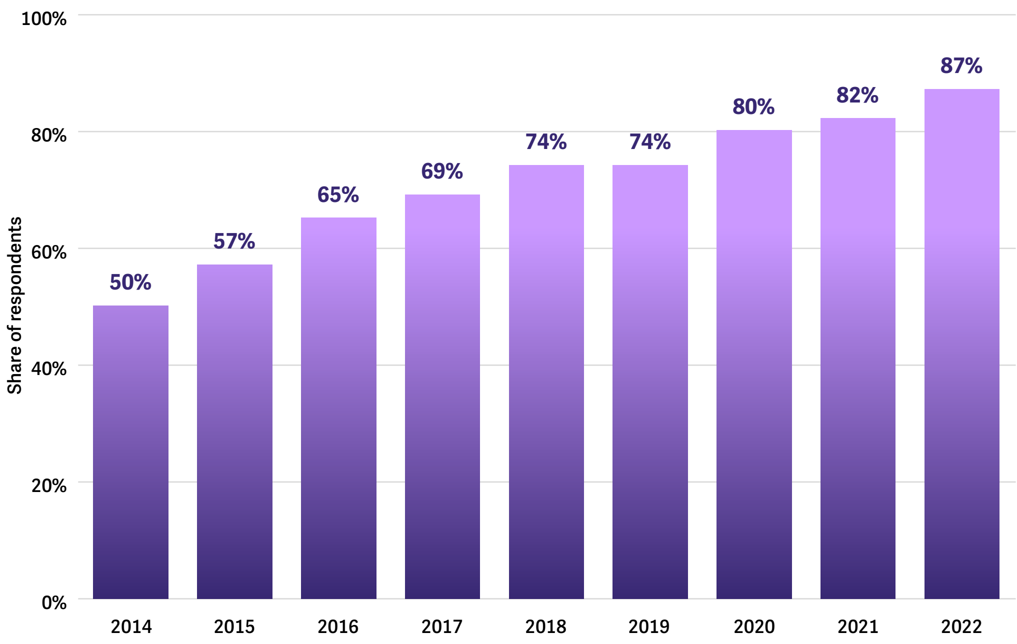
All this is well-known to media professionals and DPP members, who are facing one of the oldest business challenges there is: developing new revenue streams while capitalising on the existing business models. Or at least not cannibalising the core, or legacy, products.

Connected TVs

Accompanying this change in viewing habits has been the penetration of internet connected TVs. In a fragmented market for viewers, where a person's favourite shows are available on different channels, connected TVs provide the aperture to access different VOD services as well as traditional channels on terrestrial, satellite, cable, or IPTV.

In the US, for example, uptake of CTVs has been significant, and has supported the growth of OTT video consumption.

Internet-connected TV penetration rate in the United States from 2014 to 2022

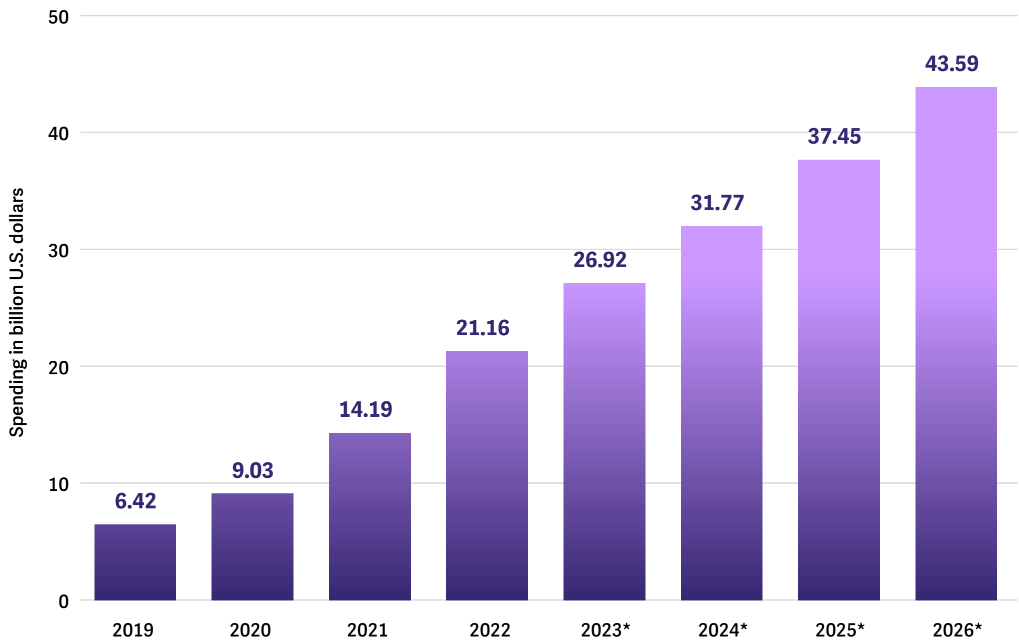


Source(s): Leichtman Research Group; Media Play News

Connected TV penetration has been significant, and supported the growth of OTT services

Connected TVs are popular with advertisers because they offer a more highly targeted and measurable advertising platform that can reach a large and engaged audience. As such, advertisers are spending more of their budgets on Connected TVs.

Connected TV advertising spending in the United States from 2019 to 2026 (in billion U.S. dollars)



Advertisers are dedicating more spending on Connected TVs

These changes have developed new audiences and new opportunities, although to some the new environment is not so different from what came previously.

> **It's just a relearning of what was done decades ago with technology and internet connected devices which have really opened up a Pandora's Box of possibilities, both positive and negative.**

And as we will see in the next two chapters, in some ways nothing has changed. But in other ways, everything has.

'Internet connected devices have opened up a Pandora's Box of possibilities'

2 Monetisation strategies

Key Insights

- The industry is moving away from the subscription-only economy, but SVOD is far from dead, with the market predicted to continue growing
- Most SVOD players will supplement their revenue streams with advertising
- Revenues from FAST channels are expected to increase over the rest of the decade
- But markets outside of the US are struggling to match success in America, where audiences are bigger and so are CPMs
- FAST channels, when fully optimised, are a great lead generation tool for more premium subscription services

In Chapter 1 we looked at the context of video consumption. Viewers are moving quickly to OTT streaming services; this has been a major change for media companies, but also represents a significant monetisation opportunity.

In this section we will explore monetisation strategies, and how content providers are seeking to generate maximum revenue from their content assets.

The DPP facilitated conversations with expert practitioners to investigate how different devices, platforms and delivery mechanisms affected monetisation strategy. Contributors largely brushed aside considerations of device type, as their thinking centred around two key areas: subscription products and free, ad-supported services.

So what is actually working, and how are media companies refining their approaches to SVOD and FAST channels?

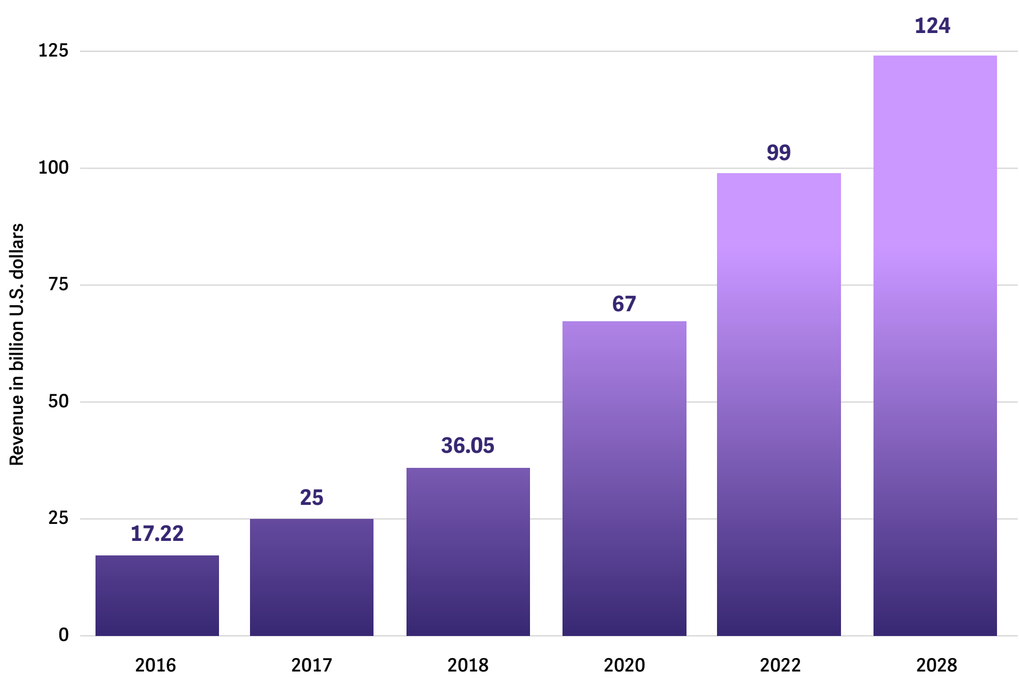
What next for SVOD?

SVOD services proliferated towards the end of the 2010s as a response to the disruption caused by Netflix, with the Covid-19 pandemic acting as a further catalyst for the launch of Direct to Consumer (D2C) products.

While 2020 and 2021 were landmark years, SVOD revenue is set to continue to grow until the end of the decade.

SVOD revenue will continue to grow

Connected TV advertising spending in the United States from 2019 to 2026 (in billion U.S. dollars)



Despite the role of Netflix as a supposed 'digital disruptor' however, media experts who contributed to this work noted that subscription services themselves are nothing new.

> **The more things change, the more they stay the same. The real change is the shift towards consumption of content through IP streaming.**
>
> **Netflix is really not that different than HBO was in 1980. It's a subscription service without any ads. You pay for content – it's just a different delivery mechanism and a far more digital level of data capture.**

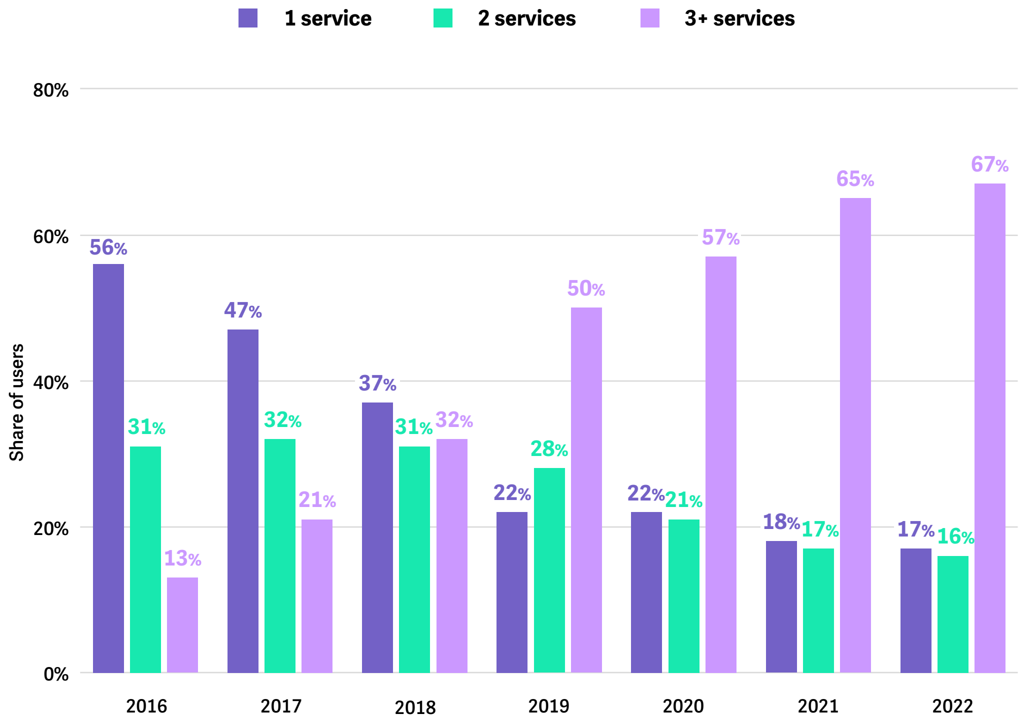
'Netflix's subscription model is nothing new; the real change is the shift to IP streaming'

But the increase in SVOD services has led to significant fragmentation of the market. With the multitude of SVOD products, the pressure on the consumer is immense – and the costs are significant to watch all of the content they might want to consume.

The total price of an average viewer's premium SVOD subscriptions is edging ever closer to the cable or IPTV subscription bundles they were supposed to supplant.

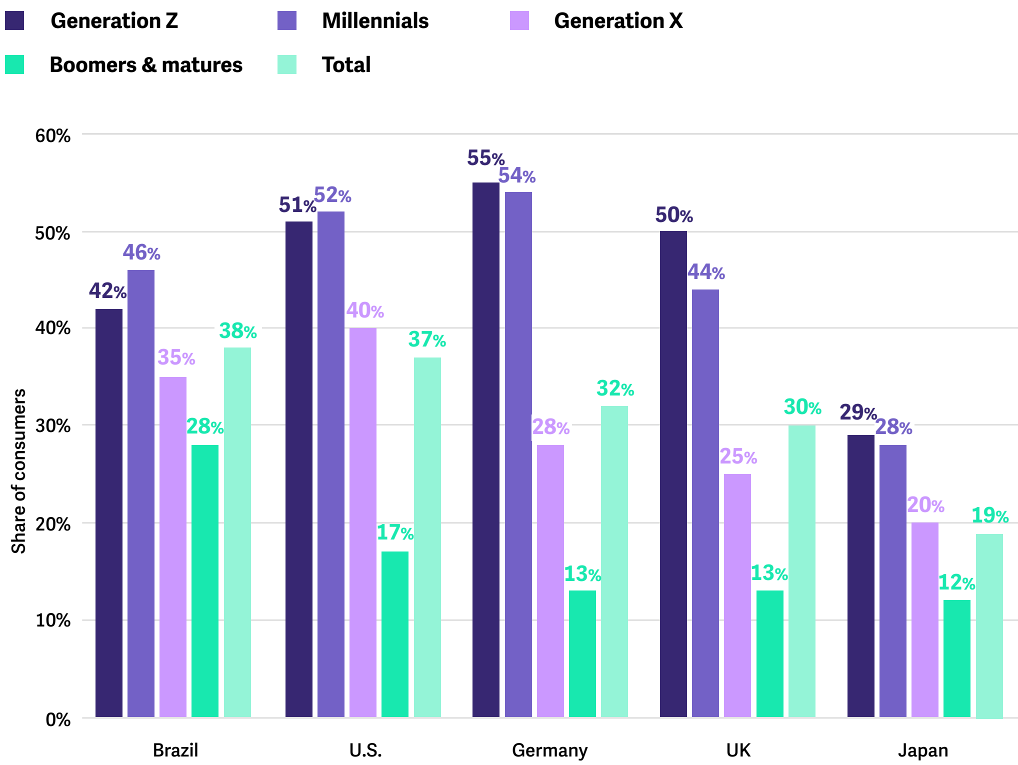
In the US, for example, there has been massive growth in the number of viewers paying for three or more SVOD services.

Number of paid SVOD services subscribed to by users in the United States from 2016 to 2022



The corollary to this is that churn is on the rise. Consumers are fickle and large numbers of subscribers – particularly younger audiences (and bear in mind the oldest Millennials are now in their early 40s) – are regularly cancelling paid streaming video subscriptions.

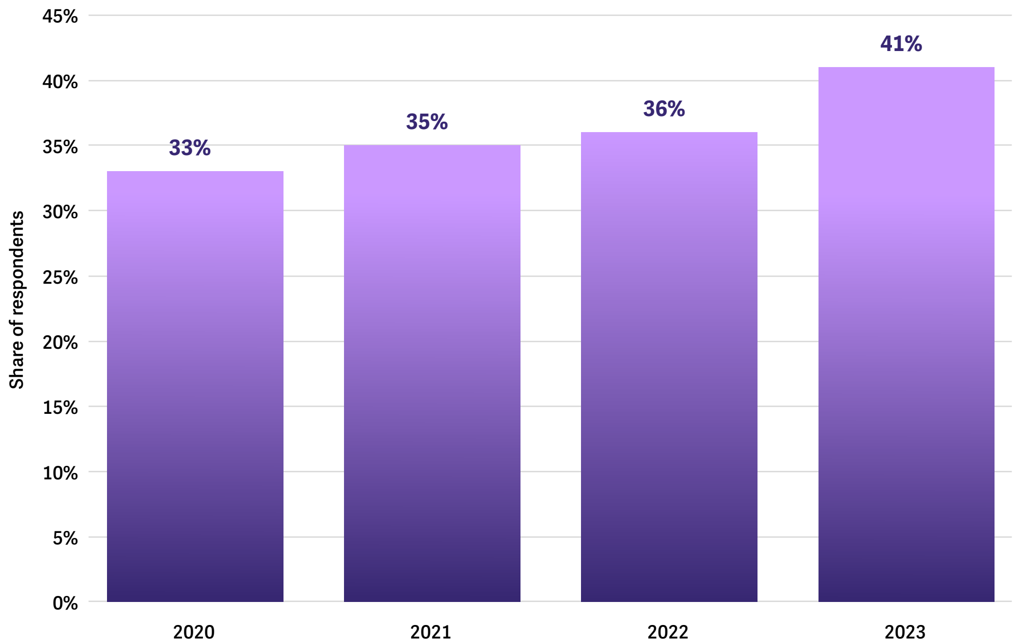
Share of consumers cancelling paid streaming video services in the last six months in selected countries worldwide in 2022, by generation



Source(s): AP; Deloitte

A good example of the reason for this is highlighted by a study from March 2023 of American viewers: an increasing number are signing up for an SVOD service in order to watch a particular show.

Share of SVOD users signing up for a service to watch a specific show in the United States from 2020 to 2023



Source: Hub Entertainment Research

SVOD churn is high, as consumers sign up to watch a show then cancel their subscription

It's not hard to connect the dots. Viewers can then watch the series, and ditch the subscription for another service when there is another show they want to watch.

This super slick, highly transactional functionality presents a challenge for SVOD services.

> **I think it's ironic in a way that the platforms have needed to make it easier to leave *and* join. The first number of years it was all additive – you join and you stay for years.**
>
> **Now I think more and more people realise it's really quite easy to chop and change month to month, depending on what content happens to be available and what you are watching at the time.**
>
> **That's the double-challenge for those platforms. On the one hand people are coming and going, and the numbers are going up. But there is a lot of regular churn.**

‘It’s ironic that SVOD platforms had to make it easier to leave as well as join’

So what is the future for SVOD in a congested market? It’s telling that the poster child for the rise of SVOD – Netflix – introduced an ad-supported tier at the end of 2022.

Experts from DPP member companies say the market is converging.

> **We’ve seen all the companies rushing to launch with SVOD, then SVOD plus AVOD. It’s all just TV, and we’re seeing a lot of history repeating itself.**

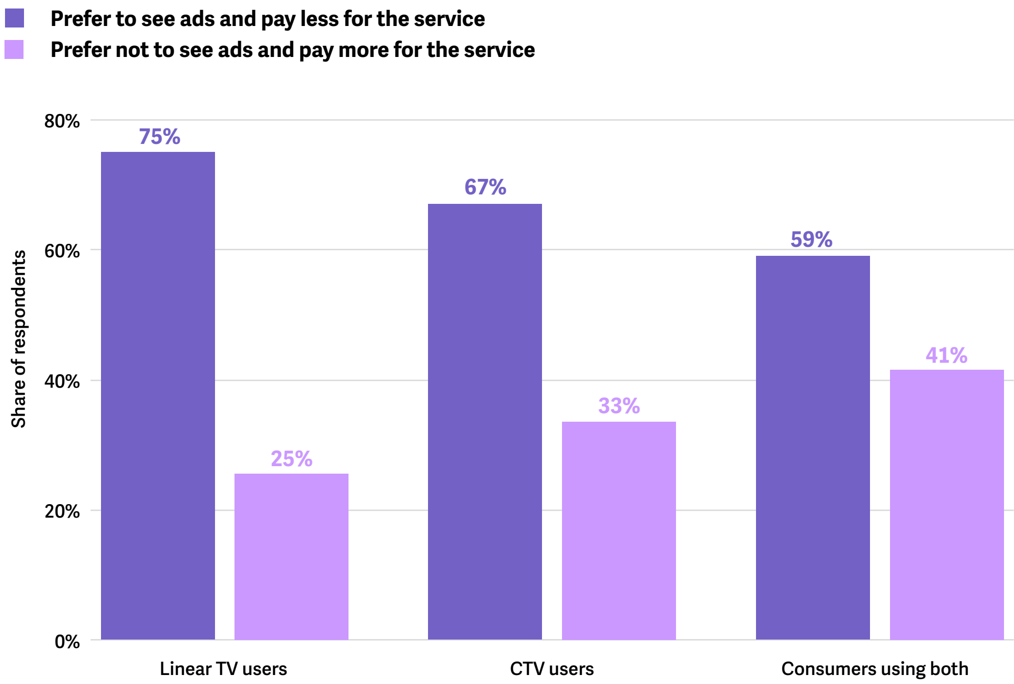
Another significant player in the OTT space believes that the ‘pure’ SVOD market is not dead, but faces major challenges, and that many will turn to supplementing revenue with advertising.

> **We have more than 300 SVOD products running on our platforms. Since autumn 2022, I would say 70% are looking to transition to being advertisement based, whether linear or nonlinear.**
>
> **For most of them it is totally defensive, they have to do it. The 30% left do not want to change because they have a very solid subscriber base – they are very legitimate with the content they have, in what’s maybe a niche market. Everyone with more general content is transitioning.**

Most SVOD players are looking to subscriptions with advertising revenue

This aligns with consumer trends during a global cost-of-living crisis. In March 2022, audiences in the US responded they would largely prefer to see ads if it meant they received a cheaper service.

Preference of video streaming apps with ads for a lower price vs. without ads for a higher price in the United States as of March 2022



Source(s): DeepIntent; Infosurv Research

Later on we will look at advertising technology and data capture. But there is a view in some quarters that the SVOD players dropped a ball while churn was low, not learning enough from user data while believing their own hype around recommendation engines.

> **Niche players tend to maintain subscribers longer or better with lower churn. For the others, it's all about the content.**
>
> **And these services aren't doing enough to combat churn. Netflix for a long time was touted for its recommendations. But their recommendations for my mind really aren't that good. There is a lot of junk that I'm poring through.**
>
> **For many of these services there is a big opportunity to better mine the data, better mine what users are watching to get into actual segments of video and look at remote control key presses and the like to get into the targeting and data, and get much better recommendations. This will ultimately reduce churn and improve the outlook for the SVOD services.**

Are we then witnessing the end of the majority of SVOD services which don't complement subscription revenues with ads? Quite simply the economics of many of these platforms don't add up – the cost of the underlying technology and content production (or acquisition) requires subscription fees to be supported with supplementary income streams.

> **We won't lose the subscription economy, but might move away from the subscription-only economy.**

We won't lose subscriptions, but we will move away from subscription-only

Indeed, at the 2022 Devoncroft Executive Partners Summit at NAB in Las Vegas, CEO of Sinclair Broadcast Group, Chris Ripley, noted that sometimes the oldest business models are the best.

> **The dual revenue model of subscriptions and advertising has endured over time to be an incredibly powerful business model. And you're seeing that with Netflix adding an ad-supported tier. It underscores that any company, whether you're a high flyer or a traditional company, you need to have multiple revenue streams. You need to have multiple irons in the fire.**
>
> **I increasingly think about it as subscriptions, advertising, and interactivity.**

'You need to have multiple revenue streams: subscriptions, advertising and interactivity'

In the next chapter we will look at innovations in AdTech and 'interactivity', but next we explore how free, advertising-supported business models and channels are changing in the era of internet-based video and TV distribution.

Making FAST channels work

Free Ad-supported Streaming TV channels offer linear video content to viewers at no cost, with revenues generated by delivering adverts during programming.

FAST channels are typically available on streaming platforms and offer a wide range of content including movies, TV shows, news and weather, live sports and more.

Experts from DPP member organisations noted how the noise around FAST channels has not yet turned into major revenue success stories. This is especially true outside of the US.

> **If FAST could generate as much revenue as it does conversation, then we'd be in a very good place.**

> ## If FAST generated as much revenue as it does conversation, we'd be in a very good place'

Experts are not all agreed on what makes FAST channels a success. For some, it works best as a mechanism to share older content – but in order to provide value, the cost of delivering ads to the consumer needs to be driven down for FAST models to work.

> **FAST is a great way to monetise old content, and really in the US that's what the FAST channels are. But what we're seeing is the cost of execution for ads has gone up tremendously. Even if the revenue is shifting from broadcast to OTT, the profitability is going down significantly just because of the cost of all the underlying technology that enables that process.**

> ## 'The cost of serving ads on FAST channels has gone up, reducing profitability'

Others suggested that there is much more nuance to being successful with FAST channels.

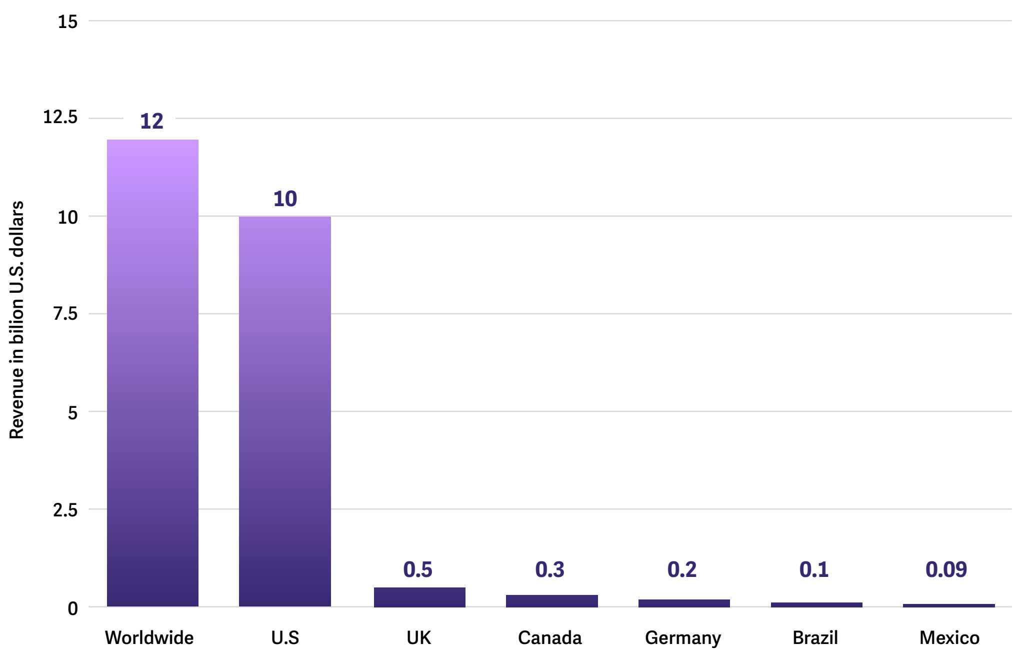
> **It's not just about bundling up the old content. It's about scheduling, so not getting that SVOD burnout of searching for 40 minutes to find what to watch. Curation is king or queen with FAST channels. The successful ones have thought about curation and scheduling, which makes them very popular.**

'Curation is king with FAST channels'

A common theme when discussing FAST is just how successful they are in the United States, while not yet living up to expectations outside of the North American market.

Research published at the beginning of 2023 reported that the FAST market grew almost 20 times between 2019 and 2022. And that it is set to triple to $12 billion by 2027. But this is overwhelmingly driven by the growth in the US, which already accounts for around 90% of the market.

Revenue of free ad-supported streaming TV (FAST) channels worldwide in 2027, by selected countries (in billion US dollars)

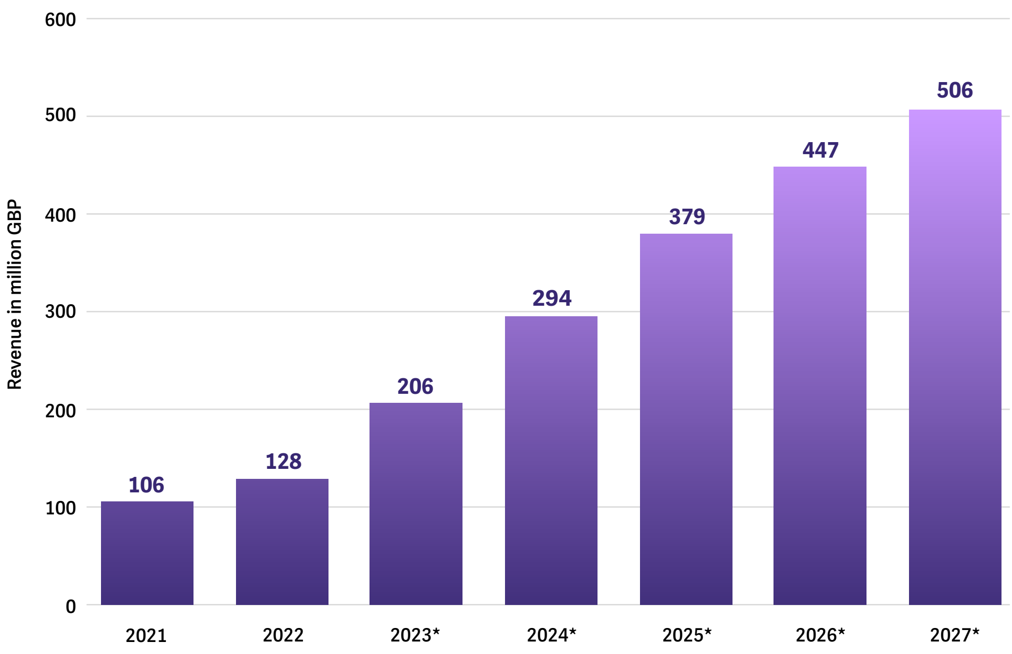


Source: Omida

Other markets are trying to emulate revenue growth of FAST in the US

However, significant growth is forecast outside of the US. In the UK, revenue from FAST is set to quadruple over the next four years and reach over half a billion dollars.

Free ad-supported streaming TV (FAST) advertising revenue in the United Kingdom (UK) from 2021 to 2027 (in million GBP)



Source: Omida; Television Business International; Various sources (Blue Ant International)

But replicating what the Americans are doing is not necessarily the recipe for success. Amagi's September 2022 Global FAST report showed that news is overwhelmingly the best performing genre in the US. Conversely, documentaries lead the way in EMEA, while films are the most popular FAST channels in Latin America.

And for its 2023 season the Indian Premier League, an annual cricket tournament held on the subcontinent and one of the biggest sporting events in the world, has been broadcast as a free ad-supported service.

This is seen as a vote of confidence in FAST.

> **For the first time the IPL will be offered on a purely ad-supported platform, completely free with no subscription. For me that is enough conviction that you can make enough money by just going down that route. Between heavy investments in live sport, and heavy investments in FAST, we have watched history repeat itself.**

The Indian Premier League on FAST is a vote of confidence in ad-based monetisation strategy

Indeed, the broadcaster JioCinema posted on 17 April 2023 that the Royal Challengers Bangalore vs Chennai Super Kings game reached more than 24 million viewers, making it one of the most live streamed events ever.

This too helps highlight why FAST is catching up in Europe. In the US the audiences are bigger, and the CPMs (cost per mille, or 1,000 impressions) are higher too.

> **The issue when you go into other parts of the world is that the audiences are smaller. And maybe you need to localise the content, yet the CPMs are lower. It's harder to do it outside of North America, and you still have the content costs one way or another.**
>
> **If you have an internal model where you have the rights anyway and you're not having to amortise the content, then to a certain extent you could make a reasonable return. But if your costs go up and you're spending a lot on content, then that margin soon goes away.**

'It's harder to make profitable FAST channels outside of North America'

One of the FAST providers noted that success in Europe for now might just mean covering your costs, and using the distribution channel as a branding and lead generation service for a more profitable subscription product.

> **FAST depends on territory. In the US it's a mature market, and a simple market. In Europe we operate 50 FAST channels – all of them break even, but none of them are skyrocketing in terms of revenue.**
>
> **At the moment there is no easy money in FAST in Europe. But it is a very strong branding tool.**

'There is no easy money in FAST; but it's a strong branding tool'

Such services can be worth offering if they successfully filter viewers to channels where they can be monetised more effectively.

> **A couple of partners with OTT platforms have added FAST channels – and it's a strong lead generation for subscription. If everything is optimised properly you can have a 25% conversion.**
>
> **If you consider the cost of acquisition and do the maths, currently it's a better lead-gen and subscription generating tool than anything else.**
>
> **It's also an additional revenue stream; it's not going to make me rich but it will cover its costs.**

'FAST is a better lead-generation tool than anything else out there'

In March 2023 Olivier Jollet, SVP and International General Manager of Pluto TV, a FAST service operated by Paramount, was a guest on the DPP Podcast speaking with fellow SVP and International General Manager of Paramount+, Marco Nobili.

Pluto TV has been a FAST success story. Launched on 1 April 2014, it now reaches almost 80 million viewers and is returning more than $1 billion in annual revenue.

Jollet outlined five points which he believes set FAST channels up for success.

1. Content

First, you need great content, and Pluto TV benefits from being able to leverage the assets and brands from Paramount including MTV, CBS and Paramount Pictures.

2. Curation

Linked to content is curation: "I see a lot of people claiming that 'we can do FAST'. I do not believe in that – there is an expertise needed to curate channels based on data and a unique understanding of user behaviour. It's very important to spend a lot of time on curation."

3. Product

FAST channels need to invest in technology and make the UX as easy as possible. For Jollet this involves rethinking the EPG, "taking the TV guide and making it different, easier to use, and more interactive".

4. Distribution

For FAST channels to succeed, they need to be on all major devices like smart TVs, games consoles, web and mobile – making the content as widely available as possible, and easy for everyone to consume.

5. Brand

Finally, media companies need to "build a brand which resonates with users, which stands for something, and which is very linked to the content".

This might come across as easier said than done. And these concepts might also sound expensive.

> **Product and curation are critical to making FAST channels a success**

But other DPP members noted that FAST channels can't be done on the cheap. While the cost of serving the ad needs to come down for many media companies to make the model profitable, the battle for consumers' time is so fierce and congested that FAST channels need to be quality offerings.

> **FAST is going premium. You have more and more channels, and platforms are looking for content of way better quality, which is fresher and more local.**
>
> **And don't forget it's still TV; you need to work with very accurate scheduling taking care of the weekdays and weekends. You have to give the same quality of picture and editing as other channels, because people can directly zap from a classic TV channel to a FAST channel. For them it's no different and it needs to be seamless, unless you do it wrong.**
>
> **That's currently the first thing that we see leading to bad results. The scheduling is very loose, and the video quality is not that good.**

> **'FAST is going premium, with better quality content'**

Smart TVs as content aggregators

Perhaps though for the consumer, SVOD vs FAST and AVOD is irrelevant when they just want to search for a show they want to watch. It is here that the Connected TV and Smart TV manufacturers are now platform operators, taking on the role of aggregators.

> **At what point is there going to be more aggregation? Smart TVs for example will allow you to search for a title, and they will look across platforms and show you where the cheapest place to watch something is.**
>
> **I'm not quite sure how that will develop over the next few years, but I think it will be interesting.**

> **At what point will Connected TVs become super-aggregators?**

And representatives from the TV manufacturers themselves know they are in a strong position as the conduit for ad delivery.

> **My world is FAST and AVOD. On the advertising side, it's a paradigm shift on how advertising is sold. We're not just monetising the content, but we're monetising the content journey too.**
>
> **We're reselling other peoples' content – where it is placed on our devices. Our content team is figuring out how we monetise every click on the TV.**
>
> **All of these ad innovations apply to us. FAST is a vehicle for delivering advertising and however the advertising world evolves, we'll look to exploit what is out there.**

3 Advertising innovations

Key Insights

Programmatic advertising is automating ad buying, helping shift inventory, and potentially banking media companies higher returns

There are significant barriers to implementing 'Shoppable TV' at scale, and broadcasters are yet to make decent returns from trials

But video content can be the 'shopping mall of the future' if content, production, and tech companies work in sync

Virtual ad insertion and interactivity provide big opportunities to improve engagement and the viewer experience

The compute power to deliver personalisation at scale means contextual advertising might offer the best returns

In the previous chapter, we looked at monetisation approaches and distribution channels – namely how media companies are approaching subscription and ad-supported business models. Here we turn to innovations in advertising technology.

Indeed, the ways in which ads have reached the consumer have changed considerably.

The first official paid television advert was shown by New York station WNBT in July 1941 before a baseball game between the Brooklyn Dodgers and the Philadelphia Phillies.

Just 10 seconds long, it showed a map of the United States with the slogan 'BULOVA WATCH TIME' and the logo of the watchmaker over the centre of the map. A voiceover states: "America runs on Bulova time!"

The advert is said to have cost between $4 and $9. You can watch it here.

Ads didn't reach Europe for another 14 years, when ITV launched in 1955 as the UK's first commercial channel. Its first advertisement was for Gibbs SR toothpaste.

So how has the delivery of ads changed? More importantly, which technologies offer the biggest opportunities for media companies? What is working, and what isn't?

Programmatic advertising

Programmatic ad buying and advertising exchanges provide an automated process of buying and selling advertising space – known as ad inventory – on TV and video platforms.

Similar exchanges were developed and implemented in online publishing in the early 2010s to sell inventory on websites, and then adapted for radio. For example, UK media company Global, the largest radio company in Europe, developed the technology further for its audio channels in 2018 with the launch of DAX – its Digital Audio Exchange.

With programmatic buying, advertisers purchase ad inventory from TV and video publishers in real-time. This automated process allows advertisers to target specific audiences with greater precision. It also enables them to optimise their ad campaigns based on performance data.

> **Programmatic advertising automates the process of purchasing TV ad inventory**

For media companies, it enables them to maximise their inventory. Advertisers can bid on available ad space, and the highest bidder gets their ad displayed to the targeted audience.

When programmatic advertising was adopted in the online publishing industry, media companies were struggling to match the profits and ad yields they had made in the glory days of print. Programmatic helped shift inventory, but it also disintermediated sales teams and many roles were lost.

DPP member organisations tell us that programmatic has been about creating automation and maximising inventory, rather than reducing headcount.

> **For me programmatic is really just automated pipelines and selling inventory that you couldn't presell.**

The intention is that programmatic can be enhanced by collecting more data about the audiences that ads are being served to, in order that broadcasters will be able to bank higher returns on their inventory.

> **Programmatic is not personalisation – it's the automatic auctions of advertising space – no more, no less. But the more you know about the objects in the auction, the higher the final bid.**

With better data, programmatic can provide better returns

Programmatic ad buying has been successful for media companies by helping them sell more with significantly less investment in time and investment once the initial tech operations have been set up.

Dynamic ad insertion

Dynamic ad insertion (DAI) enables the placement of targeted ads into digital video and audio content in real-time. The concept is loosely related to programmatic, but DAI refers to the process of inserting ads into video content in real-time, through client-side or server-side ad insertion – while programmatic advertising is the use of automated bidding systems to sell and buy ad inventory across multiple channels and devices.

With DAI, ads can be swapped out on the fly, enabling advertisers to deliver highly targeted ads to specific audiences based on various factors such as geographic location, demographics, and interests.

Dynamic ad insertion enables the delivery of highly targeted adverts

Experts say DAI, in conjunction with a digital ad server, offers a number of unique benefits, including increased relevance and effectiveness of ads, reduced ad repetition, and more efficient use of ad inventory. This also provides advertisers with better control over their ad campaigns, enabling them to make real-time adjustments and optimise the performance of their ads more precisely.

> **Dynamic advertising is shifting significantly; it provides a better opportunity to monetise in real time rather than sell upfronts in advance. But there will never be a situation of dynamic ad insertion becoming programmatic, because sharing PII (personally identifiable information) if you don't own the distribution chain is a nightmare. Then things like frequency capping can't be done.**

When pressed to design a robust monetisation strategy for the future, many contributors expressed excitement about combining DAI with hybrid broadcast and internet TVs – which enables content providers to deliver adverts to consumers via IP for consumption on TVs in programmes which are delivered via IP or over the air.

> My bet today is on dynamic ad insertion. It's mature, it's taking off in Europe, and it's creating a lot of interest. And there is growing demand also in the US, based on hybrid TV.
>
> With dynamic ad insertion you are replacing one to many broadcast advertising with one to one broadband advertising. The result is better targeted advertising, which is more effective and provides more relevant adverts which can be perceived by the audience as a useful service.

'More relevant dynamic ads can be perceived by the audience as a useful service'

Affiliate revenue and 'Shoppable TV'

The topic which divided opinion the most regarding content monetisation was the subject of generating income through affiliate revenue and 'shoppable TV'. For some contributors, shoppable TV represents the future of TV and video revenue models. For others, the hype has yet to turn into meaningful revenue.

To revisit the world of online publishing, affiliate revenue took off in the late 2010s – primarily among consumer publishing operations. And for the companies that executed the strategy well, it was a huge revenue driver while programmatic CPMs were declining.

Affiliate revenue has been hugely profitable for online publishing companies

In product reviews or round-ups, for example, publishing companies would include links to show customers where they could buy specific products featured in the article. If a purchase is then made within a certain timeframe, for example 30 days, the publishing company receives a commission.

This was a major change for many online publishing companies. While they had been focused on metrics like 'time on site' in order to keep a reader's eyeballs on the page and serve as many programmatic display ads as possible, many adopted a strategy where they were actively sending readers away to make purchases.

The business model could be incredibly profitable, particularly at certain times of the year like Black Friday or Christmas. And with good search engine optimisation, a page like 'Best Black Friday deals 2022', 'Best laptops 2023', 'Best VPNs' or even 'Best SVOD services' could get a huge return on editorial and SEO investment.

Furthermore, the revenue model in online publishing scales fantastically – better SEO means more people visiting your site, and subsequently making more purchases.

And good search rankings can bring in an enormous audience. Executed well, it was very possible to run a profitable media operation on just a few highly optimised URLs.

The underlying mechanism works in a similar way for video content providers, although so far without the same levels of success.

Affiliate revenue can be generated as a commission to broadcasters or when purchases or transactions are made by a consumer with a third-party merchant, after the viewer has engaged with an advert or specific piece of content. Shoppable TV is a newer concept that combines traditional TV advertising with affiliate marketing or e-commerce – with the shopping transaction even taking place within the content environment.

Shoppable TV enables a transaction to take place within the content environment

With Shoppable TV, broadcasters insert product placements or advertisements within the TV content, and viewers can purchase the featured products directly from their screens, or from a companion device such as a smartphone.

Broadcast companies, however, said that in their implementations so far shoppable TV had not yet realised high revenue expectations.

> **We had a consultancy come in and do a review of our strategic direction, identifying shoppable as a potential revenue stream for the business – based I think on what was happening in China.**

Broadcasters have yet to see significant returns trialling Shoppable TV

Trials included embedding affiliate links in associated websites and apps – which did generate revenue but not enough to justify the investment. This 'drive to site' or 'drive to store' type of affiliate revenue will bring in money, but at the moment is not as profitable as the strategies implemented by media publishing companies where attribution is much easier.

Some have also tried to crack what they described as 'big screen' shoppable.

A small number of startups are offering similar capabilities in this space, and their technology is described as extremely impressive. First, it scrapes the internet to ingest thousands of websites logging metadata, products, images and prices. Secondly, it scans your organisation's video footage and identifies everything in it, including for example buildings, people and vehicles. Thirdly, it matches the data together.

When implemented, a graphic overlay prompts a viewer to click to see more about a product – whether that's an item of clothing or household appliance, for example. This opens up a shopping panel on screen which is contextually related to the video content. A viewer can either complete a purchase, click through to a brand's website, or receive a text with links to products so they can make the transaction on a second screen.

While many broadcasters still believe the shoppable opportunity is big, there is plenty of finessing which needs to happen for the market to mature.

> **Conversion is still clunky. So it works better as a form of contextual advertising space, being less about the transaction and more about the ad presence. In terms of success, the brands are incredibly happy, even though we've not shown huge conversion numbers.**

> **'Brands are happy, and see that ad presence is more valuable than the low volume transactions'**

Another added that while the back-end tech is impressive, for the moment the use case is as a companion experience rather than a transactional one.

> **We get a lot of people come in and say we're sitting on a goldmine, everyone's desperate to buy what they are seeing on screen. But none of the stats we see so far suggest that's true. The reality is you have one or two moments a year where it is true and someone can make a lot of money out of those moments, but the thousands of other moments don't make any kind of money.**
>
> **It's a very fickle business. We haven't cracked it yet, and it's possible there isn't anything to crack.**

'People tell us the audience is desperate to buy what's on screen; but so far our stats suggest that's not true'

One of the blockers noted by content companies is that editorial teams do not always buy into the concept of graphic overlays on top of their content. And the on-screen talent also – and perhaps rightly – begins to call for a cut of commission when their image is being used to sell products. This all makes the business aspect of the implementation as challenging as the technology.

Some of the most progressive production organisations who contributed to the DPP's *Making Media Pay* work, however, are completely bought in to the shoppable TV opportunity.

They see fans across multiple genres and content types spending large sums of money on merchandising, which rights owners are not taking any share of. The use cases trip off the tongue, from selling sports team merchandise to the items paraded on semi-scripted 'reality' shows. Even premium dramas could change the way they create content to accommodate shoppable TV, rather than eschew it.

> **We believe that this is possible, and the technical answer to this is metadata. Even with high level content of SVOD platforms and these very expensive drama series productions, for instance. If we gather the information from the pre-production to bring it to the distributor, then I know exactly in which scene which actor is wearing what – I can provide this information to the broadcaster to monetise.**

Metadata is key to Shoppable TV monetisation

In their view, the purchase then takes place directly in stream.

> **There are different use cases because this is very new. But it's not something on a second screen or QR codes – you don't leave the streaming platform, but shop directly inside.**

In this thesis, the screen becomes an actual shop window.

> **I think in the next 5-10 years, streaming platforms – whether AVOD, SVOD, FAST or whatever – will be the shopping malls of the future.**
>
> **But it's the sexiest shopping centre ever. This content that we have: sport, series drama, feature films. This is what everyone from the advertising industry wants – placing shopping directly into the content without being forced to make an ad-break, and giving the audience the chance to buy directly.**

'Streaming platforms will be the shopping malls of the future – and the sexiest shopping centres ever'

This provides the chance for content providers to actually make money from the products they place in front of audiences.

> **James Bond is product placement at its very best – but you have to go to the internet to check where the product is available. And James Bond is participating only through sponsorship from Rolex or Aston Martin directly in the production. But what if you get a share of everything that is sold directly in the picture? That's what we are trying to figure out right now.**

Virtual advertising

DPP members are more in agreement about how interactive advertising and virtual ad insertion can help maximise content monetisation.

Virtual advertising refers to the practice of inserting digital advertisements into live or pre-recorded video content, making it appear as though the ad is part of the original production.

This type of advertising has become popular in sports broadcasting, where ads can be overlaid onto the playing surface or inserted on billboards and hoardings behind the action.

Virtual advertising is becoming popular in sports broadcasting

The use case is perhaps easier for sport. From a sales perspective the audience size and demographics are predictable. The fixture or game has a defined beginning and end, often with fixed cameras, action points, and physical parameters. A motor racing camera shot, for example, might be fixed on a particular corner of a track. Similarly ad hoardings around soccer pitches and tennis courts are static.

> **In live sport the dynamic, virtual ad placement happens in real-time, with very low latency. The value in doing that in a big sports event is very high, as long as it doesn't break the illusion. There can be significant uplifts in sales, bringing in more revenue and also improving the fan experience if you do it correctly.**

The use of artificial intelligence (AI) and machine learning algorithms to optimise virtual ad placement and targeting is the next innovation in this space – analysing viewer data and behaviour to deliver highly targeted and personalised ads that are more likely to resonate with the audience.

Virtual ads can bring in more revenue and improve the fan experience

Combined with the use of dynamic ad insertion (DAI) technology to insert personalised virtual ads into live video streams, virtual advertising is an exciting proposition for broadcasters and rights holders.

Beyond sport, content providers are investigating how this technology can be used at scale for scripted content.

Some of the same principles are explored in the DPP's Future of Localisation report, which discussed how text and images are manipulated on screen to make content accessible for local markets.

Some have been able to implement virtual ads in scripted content, but it remains a manual process.

> **You can do it for scripted content, but it tends to be post-produced. We've done frame-by-frame insertion of a product using a lot of people in a studio.**

Inserting virtual ads in scripted content is much harder for now

But the real challenge is managing rights holders and advertisers, which makes the process difficult to orchestrate and optimise for the broadcaster.

> **First, both the content owner and advertiser wants to have some kind of validation of quality, so the post-production file has to go up and down multiple times before everybody signs it off, which totally killed the scalability.**
>
> **Secondly, the commercial model behind it is a challenge. As the broadcaster you have to buy specific rights to do something with the content. But breaking open all our contracts to add a clause to insert some kind of branding or a product in a post-production file causes a problem.**
>
> **So the only place where we can do it is in our own live content or self-produced content, which again totally killed our scalability.**

For the model to work outside of the sports arena, it requires broadcasters and rights owners to come up with a new model for buying media – and getting approval from media owners – before it can be used at volume.

Virtual advertising needs a new model for buying media to work at scale across content types

Interactive advertising

Broadcasters and advertisers are the primary beneficiaries of many of the innovations in AdTech. But interactive advertising is geared towards engaging the viewer and improving their experience.

Interactive advertising can take many forms, including clickable overlays, interactive videos, and polls. These ads allow viewers to interact with the content and engage with the brand on a more personal level. For example, interactive ads during the French Open tennis tournament at Roland Garros invited viewers to vote in polls, play a game, or take part in a quiz.

> **The trend here is to try and make advertising a type of entertainment for the viewer. With pop-ups and challenges, it's a less intrusive manner of using push advertising.**

Interactive advertising can engage the viewer and improve the fan experience

Such techniques again mimic what has taken place in online publishing, and it provides a mechanism for viewers to share information relevant to advertisers or the broadcast platform in a transaction which can benefit both parties.

Personalisation vs contextual advertising

Many innovations in advertising are trying to overcome challenges around personalisation and targeting. But there is also support for the view that the best monetisation strategies actually involve going in the opposite direction; moving away from addressable TV and personalisation and instead reverting to contextual advertising.

Personalisation targets individuals, while addressable TV delivers personalised ads to specific households or individuals based on their demographics, interests, and behaviours. Contextual advertising on the other hand delivers adverts based on the content of the programme; serving car ads during an automotive magazine programme, for example.

Some expert practitioners went on the line to say the future would be driven by AI and personalisation. But just as many subscribe to the contextual view, because it doesn't suffer the same problems with privacy and data sharing. It also requires less compute power, and hence can be less costly to operate.

I think we'll become less hyper-personalised, and move more into segmented contextual advertising. The compute required to deliver true, personalised individualised experiences is huge.

We already have issues around sustainability, and our carbon footprints are going to become more of an issue for a lot of people. I think there will be questions being asked about the ecological footprint of some of these technologies that require a huge amount of compute power.

Maybe then contextualised advertising provides the most bang for your buck in terms of what you can do at a reasonable cost, rather than at a very high cost of personalisation.

'Maybe contextualised advertising provides the most bang for your buck'

4 Data, rights, and 360 degree monetisation

Key Insights

Content companies need to capture cross-channel first-party data to maximise monetisation
Media companies looking to implement a '360-degree' monetisation proposition will combine different business models
Data is key to fully exploiting the rights available to content providers
But there needs to be a shift in thinking, treatings rights as a commercial enabler rather than a set of restrictions
Tech providers also have a role to play, developing solutions which help media companies and rights owners effectively monetise content

Innovations in AdTech are changing how content providers are looking to monetise their content assets. While not all media companies have the luxury of being able to implement every technology and technique, some industry leaders are seeking to implement a '360-degree' monetisation proposition.

This combines commercial activities on linear channels and digital channels, with different business models like SVOD and FAST, in an integrated proposition for consumers and advertisers.

> **And the glue behind the scenes in all this is data collection. Because cookies are not usable anymore, media companies need to leverage and exploit all the data they collect from their website, DTT channel and OTT services; to track, monitor and collect data even from the TV set.**

'The glue behind content monetisation is data collection'

This data is the fuel that enables technologies like dynamic advertising to be relevant to the consumer, and empowers the content owner to develop a holistic cross-channel set of monetisation opportunities.

The pace of change in the media industry – and perhaps especially in consumer habits – is so fast that quality data is also necessary for an organisation's business model to be flexible and adaptable to each user's preferences. Media companies can't just expect the consumer to arrive on their platforms; you have to be where the viewers are and engage on their terms, while ensuring that the experience can be monetised.

Rights optimisation

Experts also noted that data is critical in enabling content providers to fully exploit the rights they have available to them. It provides the valuable audience insights to develop targeted ad propositions, enables price optimisation, and informs content development which can lead to increased viewership and monetisation opportunities.

This is where the DPP's work covering content monetisation and rights management intersects. The challenges with rights management are tackled in more detail in the first report of the *Making Media Pay* series, with monetisation explored further in the *Rights Management* chapter *Enabling Exploitation*.

Indeed, rights holders and content platforms need to work hand in glove for their mutual success, and there needs to be a shift in thinking of rights as a set of restrictions, to rights as a commercial enabler.

> **There needs to be a shift in thinking of rights as a set of restrictions, to rights as a commercial enabler**

Here the market can help, with modern rights management tools that make it easier for content providers to work effectively rather than trying to run their operations using spreadsheets.

> **It's crucial to check rights are fully exploited. And new tools are needed to do this, because Excel just isn't good enough.**

In this sense media companies need to work with strategic partners and innovative startups as much as they do with rights holders and production companies in order to maximise content monetisation.

Conclusion

In *Making Media Pay*, the DPP has worked with industry experts to explore the one topic consuming the thoughts of media company boards in 2023: how to optimise revenue generation.

Content Monetisation is the second report in the series, which also explores *Rights Management* and *Content Protection*. Our focus here has been on sharing the expertise from members about the business strategies and technology implementations that are helping media companies deliver content outputs, and make money doing so.

It's no surprise, even if it's unfortunate, that there is not a perfect strategy or silver bullet to maximising content monetisation. Organisations are adopting different approaches, although some trends are emerging.

New trends are emerging in how organisations maximise their monetisation

Following the rush to launch subscription services, media companies now are looking to incorporate smart advertising techniques to supplement revenues. FAST channels are being utilised as a vehicle to monetise content libraries, and generate some revenue lost from traditional linear broadcasting channels.

Innovations in AdTech are enabling better targeting, automating processes, optimising inventory, and providing improved viewer engagement.

And it's the combination of the right monetisation strategy, on the right platform, with the right content, which will be successful.

Getting rights management, monetisation streams, and content protection strategies in unison is ultimately how content providers will have success *Making Media Pay*.

About Veset

Veset (www.veset.tv), a wholly owned subsidiary of PLAY, Inc. (www.play.jp), is on a mission to enable digital transformation in the media and entertainment industry. Its cloud playout solutions are transforming the way media content is distributed, enabling broadcasters to originate and manage professional linear channels entirely in the cloud. With cloud-based features comparable to any on-premise playout solution, Veset is enabling broadcasters to deliver more channels to more platforms than ever before without sacrificing on quality. Headquartered in Latvia, Veset operates globally and has customers in over 20 countries.

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