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Near-Term Anxiety Not Dampening Enthusiasm for Connected TV

Companies: AMZN, CMCSA, DIS, FB, FOX, GOOG/GOOGL, KRX:003550, KRX:005930, MGNI NFLX, PARA, PUBM, ROKU, SNAP, TTD

May 20, 2022

Report Type: ☑ Initial Coverage ☐ Previously Covered ☑ Full Report ☐ Update Rating: 3.5/5

Research Question:

What is the outlook for connected-TV advertising spending in Q2 and beyond? How well-positioned is The Trade Desk in that segment?

Summary of Findings

- Evidence points to some weakening of growth rates in connected-TV (CTV) advertising in the early part of Q2 because of anxiety surrounding global economic conditions, but nothing severe enough to disrupt an extremely rosy long-term outlook for the segment, according to 11 interviews with ad agencies, ad technology developers, and other industry specialists.
- Two ad agency sources said April growth rates for CTV ad spending were below those of Q1. Three others reported some advertisers canceling or pausing CTV ad campaigns in April, with one noting that CTV and programmatic budgets are easier to cut back than areas such as broadcast TV, which require earlier commitments. Any such slowdown could have negative short-term implications for Roku Inc. (ROKU), Alphabet Inc.'s (GOOG/GOOGL) YouTube, The Trade Desk Inc. (TTD), and others in the connected-TV ecosystem.
- However, all 11 sources expressed confidence in CTV's long-term growth trajectory. CTV advertising is in such a strong growth phase that it is likely to be more immune than other segments to a slowdown in media spending, two sources said.
- Big advertisers are increasingly seeing CTV as a brand awareness substitute for the lost reach of linear TV, rather than just a performance-based digital channel. Meanwhile, smaller advertisers that typically do not have budgets for TV ads are starting to jump into connected TV as part of their growing digital spending.
- Demand for CTV advertising is outstripping supply, resulting in prices that are sometimes higher than those of traditional TV. But multiple sources noted that the supply of CTV ad inventory will soon get a major boost of premium content when Netflix Inc. (NFLX) and The Walt Disney Co.'s (DIS) Disney+ launch ad-supported tiers.
- All of those factors bode well for programmatic demand-side platforms such as The Trade Desk, which sources said has the scale, inventory, data, and simplicity to make it an appealing partner for media buyers. One said The Trade Desk is gaining market share while YouTube has "stagnated."
- Among the challenges for The Trade Desk are that it is considered expensive; it does not have access to YouTube inventory; and advertisers and content owners continue to make direct deals outside of programmatic channels, especially for premium ad space.
- A growing share of CTV advertising is going through smart-TV manufacturers such as Samsung Electronics Co. Ltd. (KRX:005930) and LG Corp. (KRX:003550), two sources said.

Silo Summaries

1) Ad Agencies

Spending on connected-TV advertising has continued to grow, but four of six sources said **the growth rate slowed in April.** Sources cited economic uncertainty as well as a decline in connected-TV viewership compared with its peak during the pandemic. All six sources said **the long-term outlook for CTV advertising is excellent.** CTV's growing share of TV watching time and ability to target and track users like other digital media make it attractive. Budgets are moving from linear TV and some offline media to CTV, as the latter is attracting big advertisers seeking brand awareness and smaller advertisers with performance-oriented campaigns. CTV still has challenges around audience measurement, ad fraud, and the frequency with which ads are served. **All six sources were bullish on The Trade Desk, with one saying it continues to gain market share,** posting a 30% year-over-year increase in Q1 agency spending, compared with YouTube's 13%. Challenges for The Trade Desk include its lack of access to YouTube inventory and premium pricing. Some advertisers continue to try to sidestep platforms such as The Trade Desk by making direct deals with content owners, and two sources said some agencies are building their own programmatic platforms..

2) Ad Technology Developers

Some advertisers paused CTV spending in early Q2, said two of four sources in this silo. Two have not seen any slowdown. **All four are optimistic, including two who called CTV the fastest-growing media channel**. One predicted that the percentage of TV ad spending going to connected rather than linear TV will be in the double digits this year. **The Trade Desk has become a part of ad agency workflows.** A large share of CTV advertising is moving through smart-TV manufacturers such as Samsung and LG, as viewers spend more time watching traditional linear TV delivered over the internet.

3) Industry Specialists

No signs point to a slowdown in CTV ad spending, said the sole source in this silo. The industry is in such an early growth stage that CTV should withstand slower spending in the broader media market. India is a likely source of rapid growth. **The Trade Desk can take advantage of CTV growth, especially because of its efforts in security and safety.** CTV hardware makers such as Samsung are the new gatekeepers of content and ad inventory and only starting to ramp up ad sales.

The Trade Desk Inc.

	CTV Ad Spending Growth in Q2	Long-Term Outlook For CTV Ad Spending	The Trade Desk's Competitive Positioning
Ad Agencies	→	↑	↑
Ad Technology Developers	→	↑	↑
Industry Specialists	↑	↑	↑

Background

With connected TV now accounting for an estimated 46% of all TV watching time, ad dollars are continuing their migration from linear TV and other media channels. Estimates suggest that CTV ad spending increased by almost 60% to more than $14 billion in 2021. Ad revenues from Roku, YouTube, and Disney's Hulu account for about half of all U.S. connected-TV ad revenues.

CTV ad prices are also significantly higher than last year, as demand is outstripping inventory. CTV ad spending is predicted to continue gaining share of overall digital ad spending through 2025, passing 10% by 2024.

Among the beneficiaries of the shift to CTV has been The Trade Desk, a developer of a programmatic platform that allows advertisers to place real-time ads in digital channels based on cost and targeting parameters, rather than having to pre-buy ad slots. Seven in 10 CTV ad dollars will be transacted or fulfilled programmatically this year, which equates to more than $10 billion.

On May 10, The Trade Desk reported that Q1 revenue rose 43% year over year to $315 million, with growth in connected TV leading the charge. "From a scaled-channel perspective, CTV, by a wide margin, led our growth again during the quarter," CEO Jeff Green said. Video now represents 40% of the ad spending on The Trade Desk platform.

For Q2, The Trade Desk forecasts revenue of about $364 million. That would represent 30% year-over-year growth, suggesting some slowing due to global economic conditions.

Roku said its total Q1 revenue was up 28% year over year, led by 39% growth in platform revenue, which includes its ad business. For Q2, however, the company has guided toward slightly slower growth of 25%. "We continue to navigate through a difficult near-term macro environment, which includes impacts from and further uncertainties related to ongoing supply chain disruptions, inflationary pressures, and geopolitical conflicts," CFO Steve Louden said.

Other giants of digital media—such as Meta Platforms Inc. (FB), Google, and Snap Inc. (SNAP)—have warned about challenges in Q2. Meta's guidance for the quarter suggests the possibility of its first-ever year-over-year revenue decline for the owner of Facebook and Instagram.

Current Research

Blueshift Research assessed whether the rate of spending growth on connected-TV advertising has been slowing in early Q2 and also examined the competitive landscape for demand-side platforms such as The Trade Desk. We employed our pattern mining approach to establish four independent silos comprising 11 primary sources (including one repeat source) and two secondary sources focused on data mining from connected TV and CTV's impact on media upfronts. Interviews were conducted May 5-10.

1) Ad agencies (6)
2) Ad technology developers (4)
3) Industry specialists (1)
4) Secondary sources (2)

Next Steps

Blueshift Research will continue to follow trends in connected-TV ad spending as well as gather further feedback on the impact of new ad-supported tiers from Netflix and Disney+.

Silos

1) Ad Agencies

Spending on connected-TV advertising has continued to grow, but four of six sources in this silo said the growth rate slowed in April or offered anecdotal evidence of some advertisers pausing campaigns. One of those four said CTV ad spending was up 20% in April year over year, a significant deceleration from more than 50% growth in Q1, and he predicted Q2 spending to show just a 10% increase. Another said spending growth had slowed from 30% in Q1 to about 15% in April. Sources cited economic uncertainty as well as a decline in connected-TV viewership compared with its peak during the height of the pandemic as reasons for some slowing in CTV ad spending growth. All six sources, however, said the long-term outlook for CTV advertising is excellent. CTV's growing share of TV watching time and its ability to target and track users like other digital media make it an attractive channel. Budgets are moving from linear TV and some offline media to CTV, as the latter is proving attractive to both big advertisers seeking brand awareness and smaller advertisers with performance-oriented campaigns. CTV still has challenges around audience measurement, ad fraud, and the frequency with which ads are served. All six sources were bullish on The Trade Desk's opportunity within connected TV. Advertisers are choosing programmatic platforms based on reach, access to inventory, ease of use, and data analytics—all areas where The Trade Desk scored highly. One source said The Trade Desk continues to gain market share, posting a 30% year-over-year increase in Q1 agency spending, compared with YouTube's more modest 13% growth. Challenges for The Trade Desk include its lack of access to YouTube inventory and its premium pricing. In addition, some advertisers continue to try to sidestep platforms such as The Trade Desk by making direct deals with content owners, and two sources said some ad agencies are building their own programmatic platforms.

Key Silo Findings

Connected-TV Ad Spending Trends

- 4 of 6 said the growth rate of connected-TV ad spending has slowed in early Q2.
  - 1 said CTV ad spending was up 20% year over year in April, a deceleration from March's 25% increase and an even bigger drop compared with the year-over-year growth for the full first quarter.
    - Overall Q2 is likely to be up only 10% year over year.
    - Streaming viewership is declining from its peak a year ago, leading to some pullback in ad spending.
  - 1 said CTV ad spending was up 15% to 20% year over year in April, slower than the 30% growth for Q1.
  - 1 said year-over-year growth rates so far in 2022 are half of what they were in 2021.
  - 1 said some clients canceled some CTV ad campaigns in April, though he called the development "nothing too alarming."
    - A lot of economic uncertainty exists because of supply chain troubles, and it is easier for advertisers to cut back on CTV spending than it is to undo commitments for broadcast TV campaigns.
- 2 said they have not seen any slowdown in CTV ad spending in early Q2.
- 6 said the long-term outlook for CTV ad spending remains strong, regardless of any blip in early Q2.
  - CTV has a growing audience and offers the ability to track and target audiences in a way that linear TV cannot.
- 2 said ad budgets continue to move from linear TV and some offline media to connected TV.
- 2 said smaller advertisers that had not traditionally turned to linear TV are starting to experiment with connected TV.
- 2 said the growth in CTV ad inventory has not been enough to make up for the loss of linear-TV inventory.
  - Both said pricing for CTV ads is high.
- 1 said advertisers are increasingly seeing CTV as a direct replacement for linear TV for brand awareness campaigns, rather than just as a performance outlet akin to other digital media.

- 1 said the most popular destinations for CTV advertising fluctuate, but Hulu is dominant right now.
- 1 said CTV has challenges around measurement, ad fraud, and capping the frequency of ads for a better viewing experience.

The Trade Desk

- 6 offered positive commentary about The Trade Desk's CTV platform, praising its reach, simplicity, analytics, and strong relationships with major agencies.
- 1 said The Trade Desk achieved a healthy 30% year-over-year increase in Q1 spending from agencies.
  - The Trade Desk is gaining market share as its growth has been outpacing that of YouTube.
- 1 said YouTube is attractive because of the simplicity of advertising there, but neither the quality of ad inventory nor the platform's data sharing is as attractive as other platforms.
- 1 said a key issue for The Trade Desk is its lack of access to YouTube inventory, forcing advertisers to use Google's DV360 platform.
- 2 said agencies choose between demand-side platforms based on access to inventory, ease of use, data sharing, and measurement tools.
  - Both said The Trade Desk stacks up well in all those areas.
- 3 said The Trade Desk is expensive compared with other demand-side platforms (DSPs).
  - 1 said its fees are between 11% and 15% of ad spending, whereas some platforms charge as little as 7.5%.
- 1 said The Trade Desk will become a more important partner for access to first-party data as the use of tracking cookies is phased out.
- 2 said some agencies are building their own programmatic buying platforms.
- 1 said The Trade Desk could be hurt as local broadcasters with high-quality content make their ad inventory available online.
- 2 said some agencies and some content owners try to go around platforms like The Trade Desk and make deals directly, though such agreements represent a small portion of overall ad inventory.
- 1 said The Trade Desk falls short for some advertisers because it will not facilitate advertising on certain children's shows due to child privacy regulations, even though some of those shows draw a lot of family viewing.
- 1 said The Trade Desk's shopper marketing platform has a lot of promise, as a lot of advertiser demand exists for connecting online and offline buying activity.

1) Senior digital executive at a multibillion-dollar global agency

Some clients canceled CTV ad campaigns in early Q2, as it can be easier to cut CTV and programmatic budgets than broadcast spending. But the cancellations are nothing alarming and are not enough to suggest a broader trend. Demand for CTV ads should remain extremely high, partly because linear TV has lost so much reach. Advertisers are increasingly seeing CTV as a mechanism for reach and branding rather than for direct response. CTV still has challenges around measurement and ad fraud. Advertisers and agencies are choosing demand-side platforms based on access to the best inventory, ease of use, and availability of data. The Trade Desk ticks all of those boxes and has been gaining market share, though it is considered expensive.

Connected-TV Ad Spending Trends

- "We haven't seen [anything unusual in CTV spending in April]. I spoke to one of our guys in the U.S. when I saw your note [asking whether April CTV growth had slowed], but we don't actually think there's anything odd or unusual in terms of a change in trend."
- "I have heard back from one CTV vendor who told me some clients have canceled some CTV campaigns in April, but nothing too alarming yet. It is true that because of the nature of the deals we make with broadcasters, with money tied up, it can be easier to cancel or cut budgets on CTV or in programmatic in general. But it's too early to draw conclusions on the direction of travel for the next quarters."
- "It's safe to say CTV and digital [ad spending budgets] are moving together; the digital pie is growing, and CTV is benefiting from it as much as the other digital platforms."
- "The CTV sector is growing and will be growing at the expense of linear TV and offline media. There might be a short-term blip as, indeed, it can be easier to cut digital budgets than linear-TV budgets when facing short-term issues such as product-supply issuers, but this would be very temporary and medium term."

- "Planners would adjust their plans accordingly and keep allocating CTV and digital an increasing share of overall client budgets. This will continue as more inventory is moving to digital and CTV, even if the overall media pie might be temporarily shrinking."
- "The U.S. tends to lead in trends, including all the solutions on measurement, because measurement is tricky to compare, to figure out where the eyeballs are spending their time. Are they watching YouTube? We're starting to track attention. We did a live study tracking attention with YouTube and just saw the results, to see how watching YouTube on different screens has a different impact, which it does. Watching YouTube as CTV on your TV screen, which is increasingly happening in the U.S., has a bigger impact [than watching on smaller screens] and, therefore, better brand recall [and other ad performance measurements] than if you watch on a mobile phone."
- "One trend is that CTV was originally bought in a similar way as traditional digital media. Anything that is bought via an automated solution—an ad server, a DSP—any transaction done that way, CTV can be bought that way. And because it can be bought that way, there was a tendency—which is starting to change—to buy CTV with a view to delivering an outcome [vs. building the brand]. The idea was to have a tag that would allow us to understand who is being reached and what are they doing as a result of the exposure. Are they going to the brand's website as a result of seeing it on their phone or TV?"
- "Traditionally, that's how CTV was bought in the early days. But increasingly, we're seeing—definitely in the U.S., but we're starting to see it in other markets—CTV is now being used as a substitute to linear TV, to effectively get some of the reach that linear TV is losing. There's this shift in pattern that we're seeing across markets, although it happens at a different pace across markets. Definitely in the U.S. first, in the UK as well, and now in less-advanced markets like Spain and France."
- "What is happening then is advertisers still want to be on TV to grow their brand, not to get a performance or outcome, because there are so many other ways, through other media, to get an ad performance. The advertisers still need this [TV] inventory and eyeballs, so they're increasingly using CTV to get what we call incremental reach that they are not currently getting on linear TV."
- "Television is doing better than ever. There's never been more programming, more content produced, and more hours spent on video. People are consuming video anywhere, anytime."
- "That's all true, [but] when you look at what matters to an advertiser, it's, 'What can I actually purchase in terms of inventory and airtime?' In the UK, for example, the BBC has a very high share of the viewing—a third of the market—but no advertising. So it's a challenge for advertisers, because not only is there less advertising, but the pricing on the channels you can buy is more expensive. In the U.S., most linear channels carry a lot of ads."
- "We looked at the total audience on TV in the U.S. for the past three years and looked at all available ratings on all channels and all available ad breaks. We only looked at that audience in ad breaks. That effectively tells us the availability of the audience that can be bought. What we saw is that over the past three years, there's been a 27% reduction in available, purchasable ratings in the U.S. on linear TV."
- "On CTV, at the same time, there was an increase in available ratings to purchase of 53% in the U.S. And remember, these trends happen in the U.S. first. The audience reduction that we've seen in the last 10 to 15 years [on linear TV] is now happening everywhere—Europe, Asia and [Latin America]."
- "You might think that CTV is doing so well because there's been a 53% increase in purchasable ratings, but the problem is that the base is so small that it's not enough to offset that huge drop we've seen on linear TV. And so the net result is that for [every] 10 ratings lost on linear TV in the U.S. in the past three years, we can only purchase one rating back on CTV. This is what you don't see if you just look at the time viewed."
- "When you think about it, a lot of the streaming services are ad-free, and the ones that are ad-supported have a lot less [ad inventory]. That's a challenge at the moment for us. It's supply, and it's the reason why [advertiser] demand for CTV is still very strong. I was looking at the data for March, and we're still seeing this massive growth, month by month."

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Senior digital executive at a multibillion-dollar global agency

- "CTV is in short supply; it's still something that is needed increasingly by advertisers as this 'reach expander' to replace the loss of eyeballs that we're experiencing on linear TV. And I think it's definitely going to continue to grow."
- "I think there's a lot of uncertainty in April, and I think it's across the board because of mainly supply chain issues. At our agency, we have a lot of auto clients, and obviously they've been massively impacted by the supply chain issues; it's so hard to buy a car these days. So [those auto advertisers] tend to make last-minute, late decisions to advertise. That's the main issue, and it's still why there's a certain degree of uncertainty [in the advertising landscape] over the next few months. We know inflation is high, and we know that's probably here to stay for at least well into next year."
- "CTV does have challenges, however. We have challenges on measurement, on ad fraud—particularly in the U.S., because it's a big market, and there's a lot of money to be made. [Fraud issues are] getting better, but if it's 3% or 4%, it's a lot of money."
- "Frequency capping is another issue, where you get the same ad [on Hulu, for example] three or four times in an hour. Obviously, that's not right, and those issues are being worked on. But the biggest challenge is still measurement, and agencies are leading this."
- "You'll know that Nielsen lost the MRC (Media Rating Council) accreditation last year, and they've been working for quite a few years now on a measure of 'total video,' which is the Holy Grail. How do we know that you're the same person watching the same ad in your living room and then an hour later watching a program on your mobile phone or on another screen at home or on your iPad or computer? That's the Holy Grail, being able to capture that."
- "The UK is probably a bit ahead [with such measurements] because it's a slightly easier ecosystem with fewer players. In the U.S., even [Comcast Corp.'s/CMCSA] NBCU (NBCUniversal) only has a market share of 15%. There are so many players—vs. in the UK, there's Sky [Group Ltd., part of Comcast] and Virgin Media Inc. , which is the cable operator, which between them have a market share of 65%, with BBC the rest. On the broadcasting side, you have a limited number of players. And on the distribution side, you have two companies."

The Trade Desk

- "Looking at the Trade Desk, I can't see any slowing of [spending] growth year on year. They are achieving a healthy 30% year-on-year spend increase in Q1 2022 vs. Q1 2021, with no weakening in March."
- "YouTube has been growing slower—13% on average across Q1 2022. Roku is another success story with an 82% year-on-year spend increase across agencies in Q1 2022 vs. Q1 2021."
- "In terms of market share, against the whole digital market, The Trade Desk has been continuously increasing their share while YouTube has stagnated. But again, the overall pie has grown in actual dollars terms."
- "There is no consistency [in how we choose a demand-side platform over another for CTV]. Every market will come up with the solution that works best for that market, and it's based on a number of things."
- "The idea is always to have access to the best inventory, so the relationships that we make with the different [platforms] are based on who has the inventory that our clients need; ease of access; and, particularly, a lot of our markets are building their own platforms."
- "At our agency, we have our own platform, which effectively is a platform that is supposed to be an end-to-end planning, buying, optimization platform. What we're looking for is [ad inventory] providers that we can effectively plug into, so we can view the inventory within the [agency] environment."
- "If we want to target a very specific demographic, we will add some additional qualifying elements that are based on behavioral and psychographic elements. For example, we think that people who have searched travel or who book a flight once a month are valuable audiences for [a given product or service]."
- "Because we are collecting a lot of data—and we work with a lot of data partners, where it's financial data with Experian [PLC/EXPGY]; or companies like Samba TV—we acquire those data sets to try to build a better profile of the audience that we're after. And once we've done that, we want to be able to buy the audience. Using our own platforms that then plug into the inventory of all those different providers, like Trade Desk or Teads, is the approach we're increasingly trying to follow."
- "But that will vary by markets. Some markets that may not have the scale might actually like the ability to do a preferred deal with Trade Desk and, effectively, have a self-serve platform that they can use more easily."
- "So there's no global strategy that we'll impose on markets to do certain things in a certain way, but generally the rule [for choosing a DSP] is access to the best inventory and ease of use in terms of tech, the setup; and access to the data--how much data we're able to get."
- "The data is more value sometimes than the actual media buy. Clients want the data. They want to keep that data and own that data, but they also want to enrich it with other data sets."

- "The Trade Desk is definitely a good business. They're quite expensive, but they have a product that ticks all of those boxes—access to good inventory; they tend to have a lot of innovation when it comes to measurements; and they make generally the experience easy."
- "That said, for the larger agencies and the larger markets, there may be a benefit in us bypassing [The Trade Desk and other DSPs] in a way and not actually using their platform because there's a cost element. We work with [all the platforms] in the UK and the U.S., but in a different way than we might be working with them in a smaller or medium-sized market, where it would be a plug-and-play, full service."
- "So I'd say definitely The Trade Desk has a good reputation. They get the job done, and they have access to good inventory. They're also pretty good at managing agencies in terms of partnering with agencies. And that's important; they're not competing [with agencies]. Sometimes some of those [other platforms] try to go direct to clients, and agencies don't like that."
- "Sometimes that's [OK] when clients try to build their own in-house programmatic capabilities—and there's a trend there—but we find some clients who've tried that come back to agencies because it's too complex. They can't find the right talent and also keeping up with the tech. We've seen that—some advertisers who try to set things up themselves and then try to deal directly with the likes of Trade Desk who actually come back to agencies."

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>
> *Senior digital executive at a multibillion-dollar global agency*

- "The spend [on The Trade Desk and others] is generally going up, absolutely. This is a general statement, and it might change over time if you look at it market by market. It might change particularly for markets that have a strong broadcasting system where there's quite a large amount of hours or percentage of people's viewing time on local broadcasting properties. As those local companies are making their inventory available online, to be bought programmatically, and they are increasing the amount of inventory, we know that the quality of that inventory tends to be higher than a lot of the online, pure-player type of inventory that you might get via a Trade Desk."
- "So they will then compete. YouTube is the same. The reason so much money gets poured into YouTube is not because of the data element, because they're not that generous with sharing the data, but they're making the experience very easy."
- "If you want to buy a video campaign on YouTube, it's probably like four to five clicks on their platform. But the quality of their inventory is probably not always as high as what you get from broadcasters—high-quality, long-form content. And as those [broadcast] companies are finally catching up, there's a risk that companies like Trade Desk … might suffer a little bit. But I don't think we're there yet. It's something to keep an eye on."

2) Global client director for a large independent agency in the U.S.

Connected-TV ad spending is growing at a healthy clip globally in the early part of 2022, though at only half the rate of its pandemic-fueled ascension last year. Smaller advertisers that would not have considered TV in the past are bucking this trend, spending at similar growth rates so far this year. The Trade Desk is in a unique position because it has a lot of strong relationships with big agencies and advertisers but lacks access to YouTube inventory, forcing some to Google's DV360 platform. Otherwise, decisions about DSPs are based on measurement tools, data access, ease of use, and cost. For the latter, The Trade Desk is often on the higher end of the cost range. One trend that could hurt The Trade Desk is holders of CTV inventory, such as NBC's Peacock, trying to make deals directly with advertisers and keep the inventory out of programmatic channels. This source has not used The Trade Desk's shopper marketing platform but thinks it has promise because demand exists for attribution technologies between online and offline activity.

Connected-TV Ad Spending Trends

- "There has been an overall slowdown [in the rate of CTV spending globally in 2022], just because last year [2021] CTV advertising was so big, both here and in Europe. Here in the U.S., it grew 85% last year [2021 vs. 2020]. And this year, we're looking at around 40% growth—so half as much of a lift if we're comparing Q1 2022 vs. Q1 2021. But it's off a much larger base, so in monetary terms, it's not that massively different, but it is a slowdown."

- "It's similar in Europe, which saw 90% growth between 2020 and 2021. That will be significantly slowed this year. In both cases, though, in terms of actual dollar or pound or euro amounts, it's actually comparable year over year."
- "Where we've seen bigger shifts is among the smaller advertisers who maybe hadn't thought about TV as an option before and were very focused in digital campaigns. Many are now looking to broaden out, and programmatic CTV is a great way for them to dip in at a very scalable way and measurable way, to make sure it can actually deliver. Some of the CPG (consumer packaged goods) companies I'm thinking of grew their CTV advertising [in Q1] as much as they grew the year before. They were seeing gains from it and were therefore able to increase the investment at a greater than overall market rate."

> **Where we've seen bigger shifts is among the smaller advertisers who maybe hadn't thought about TV as an option before and were very focused in digital campaigns. Many are now looking to broaden out, and programmatic CTV is a great way for them to dip in at a very scalable way and measurable way.**
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> *Global client director for a large independent agency in the U.S.*

The Trade Desk

- "The Trade Desk is in a unique position. On the one hand, they don't have access to YouTube inventory. But they do have a good hook into a lot of the big agency groups, and it's where a lot of the big advertisers are. If you are a big advertiser and want to be in the CTV space, it's very difficult to avoid platforms like YouTube. But in order to activate YouTube, you really need to be going through [Google's] DV360. Therefore, if you want to have one central point of activation, it makes it difficult to go outside [Google]."
- "At the other end of the spectrum, you've got smaller advertisers who have smaller budgets and therefore don't necessarily have to buy YouTube, so they can still get their reach and frequency by focusing on other platforms. And that gives them a much greater choice in terms of [which DSP] they want to activate through."
- "[When choosing a DSP], it comes down to what data do they have access to. What measurement tools do they have already integrated? How easy is it going to be for me to be in platform and build out my campaigns? And what's my tech stack cost on top of that, because that then impacts your inventory cost at the unit level because you have all the percentage fees on top of that."
- "Those are all the factors that I look at when recommending DSPs to my clients. In a previous [agency] role, we favored platforms like Adelphic and Amobee specifically for CPG clients because they had a great integration with data measurement sets like IRi or ibotta that [were] really giving us that transactional data that we could either target off of and then, secondly, measure off of in terms of actual sales lift."
- "In those kind of end-to-end solutions that were integrated into platforms, they became extremely important to us to make sure that we were assessing campaigns in the way they were delivered. Those two CPGs [clients in that previous agency] both used IRi in-house as a way of measuring their sales volume, which made it very important to us to access platforms that had that measurement integrated. So we were comparing apples with apples vs. their internal analytics."
- "Ibotta basically pays people to scan their receipts at checkout and then makes that data available to target purchases of certain things and then have a measurement back end that you can use."
- "[Choosing a DSP] is very much on a case-by-case basis. They've all got strengths and weaknesses, and it's where really understanding the platform's capabilities and how it aligns with what you're trying to do becomes really important."
- "How easy are the people [with the platforms] to work with? Are they able to work with external partners, whether they'd be dynamic content or whether they'd be measurement? All these things come into play. Assuming you need to use YouTube, building that secondary DSP decision comes down to a lot of those factors. And I always look at them on a case-by-case basis, depending on who the advertiser is and what they're trying to achieve."
- "We don't have a set formula for [which DSP] we use based on a set vertical the [client] would run in. The agency I work for currently has a fantastic relationship with The Trade Desk. It is probably one of the preferred platforms that they utilize across the board. [The Trade Desk] is definitely high on the consideration list, alongside DV360."
- "This is why The Trade Desk specifically is in a very unique position, because they do have a great relationship with most agencies and holding companies, but they don't have the access to YouTube inventory. They sit in a space almost on their own, and then there are a host of other [DSPs] beneath them."
- "A lot of it comes down to what is the cost of activating it. From my experience, [The Trade Desk pricing] has been on the higher end of the spectrum, which is generally between 7.5% to 15% [across the board for DSPs], so it's quite a big range that can be charged. Trade Desk is at the upper end of that, between 11% and 15%; and for some of my

clients, that's more than they are willing to pay. Some of the smaller [DSPs] are more willing to bend on what that tech fee is because they were more in need of the business than someone like The Trade Desk was."
- "The willingness of some platforms to adapt and adjust and drive relationships with potentially new partners—either data or measurement—at a fast rate has been one of the reasons I've gone with some of the smaller, more nimble platforms [vs. The Trade Desk]."
- "One other thing that is specific to The Trade Desk and where they fall short for some advertisers: Those looking to target digital streaming families in co-viewing environments—think CocoMelon or NickJr—The Trade Desk will not allow users of their platform to run against this kind of COPPA [Children's Online Privacy Protection Act] tagged inventory. For the majority of other DSPs, this is not an issue."
- "[Some] holders of the [CTV ad] inventory are either protecting it from programmatic activation or are looking for other ways to try to bundle it up."
- "Peacock, for example, saw a massive growth [in ad spending] far above their projections this year and are looking for other ways to tap into advertising in order to monetize that inventory without necessarily going to the PMP [private marketplace] or certainly not an exchange route or on the open marketplace for that premium inventory and instead doing it direct with advertisers. So they're looking at creative ways of selling that. But that's a very small piece of the connected-TV marketplace."
- "If you look at the overall TV landscape, even the growth of Peacock is a relatively small percentage. Most of it comes from the long tail, and Trade Desk absolutely has access to the majority of that inventory."
- "One of the biggest issues for me [is that] companies like Samsung and Roku have all been boosting their programmatic [offerings] and then trying to drop [competitors] altogether and create a walled garden—and it's like they all have their own YouTubes. That causes me great anxiety and frustration because I'm trying to manage my reach and frequency across multiple platforms, and I can't do that because I know I have to use multiple DSPs in order to access the inventory."
- "So if I want to run a campaign across YouTube, Samsung, and Roku, I have to use three different DSPs in order to do that. And then that impacts my ability to control my frequencies to specific audiences because they're operating independently of each other. And then I can't track people across all three in a singular way. So it makes understanding that overlap extremely difficult, and it almost certainly leads to inefficiencies."
- "We're not currently [spending ad dollars on The Trade Desk's shopper marketing platform]. It's very similar to what I outlined earlier in terms of the work I was doing [in a previous agency] with CPG companies—a beer and cheese client that was building out something that could both take shopping data and measure shopping data offline from online activity, which is a capability that Trade Desk has since developed."
- "I've not activated on [Trade Desk's shopper marketing product], so I can't really speak to it in any real way. But I can definitely [see an opportunity for The Trade Desk]. I think anything that can help marketers get a greater steer on attribution is going to be extremely helpful, especially when you're looking at things like CPG that require online to offline measurability, which has always been a bit of a gap."

3) Senior media executive for a large agency

A slight moderation occurred in the growth of CTV ad spending in April, with year-over-year growth of about 20%, compared with 25% in March. It could slow further, to about 10%, for Q2. No signs point to a softening in digital ad spending overall. Connected-TV viewership is down from its peak during COVID, reducing the performance of CTV ad buys. Linear-TV ad budgets are continuing to move to CTV, but CPMs are high. This source's agency recently switched to The Trade Desk from DV360 because of the former's sophistication and access to inventory.

Connected-TV Ad Spending Trends
- "[CTV] viewership declined a bit in Q1 this year vs. 2021. Economics and the changes due to COVID are impacting the viewership. There is more inventory and opportunity across platforms but less viewership, making it more difficult to deliver on campaigns and buys."
- "In terms of spend, more and more linear budgets are moving into the CTV space for greater precision and audience targeting."
- "One of the challenges is CPM comparisons of linear buys with CTV. There are almost three times to four times CPM increases on some CTV platforms, in part due to inventory availability based on viewership but also because of supply and demand as the money is moving so quickly. They are able to ask for a higher rate."

- "Q1 2022 spend for CTV doubled compared to Q1 2021. We're almost on track to tripling for the year. So far, mostly through Q1, TV ad spend is up about 55% over our spend last year. We're on track to be 80% to 90% up from a year ago."
- "March of 2022 compared to March of 2021 for CTV spend was up about 25%."
- "April of 2022 compared to April of 2021 for CTV spend was up about 20%."
- "There is a slowing [in the growth rate], and I believe it's because the time spent on viewing is declining because people are no longer stuck in the house."
- "Looking forward, I expect Q2 ad spend on CTV to be up slightly compared to 2021—about 10%—but for some accounts it will be flat. Some partners are unable to deliver the contracted impressions. We're seeing a little of that in May, and it is projected that we will be underdelivered on a few platforms."
- "We are doing discovery to see how we will pivot—opening up the targeting or redefining it. This is resulting in pulling money from some of the platforms that are not delivering and redistributing it to others, whether it's video or YouTube or going to the scatter marketplace in linear or possibly addressable TV. We are looking at all the scenarios and having premium conversations with the platforms."
- "Sequentially, I expect Q2 ad spend on CTV to be up 30% over Q1. Q3 and Q4 should be similar to Q2."
- "We are not seeing any issues in digital spend. We are, if anything, seeing more opportunity, mostly in social."
- "People are spending a little less time generally on media consumption overall and prioritizing it to social digital and then CTV."
- "TikTok dominates the social media time. Instagram and Facebook are still strong in terms of time spent. Snapchat continues to grow even if the increase is slowing."
- "I haven't seen much in terms of share shifts. Roku is going to be coming out with new platforms that will hopefully open up opportunities. It's been pretty consistent. Spend is primarily going to Roku. Google is secondary."

> **I expect Q2 ad spend on CTV to be up slightly compared to 2021—about 10%—but for some accounts it will be flat.**
>
> *Senior media executive for a large agency*

The Trade Desk

- "We use The Trade Desk because of its sophistication and its access to inventory as well as a special relationship that helps us benefit from it."
- "We only recently onboarded The Trade Desk. We are still getting our insights. We switched from DV360."

4) Co-founder of a full-service ad agency in the Midwest

No slowdown occurred in connected-TV ad spending in April. Growth was driven by earlier-than-usual political spending and the later arrival of spring weather, which pushed spending back a bit from February and March. Spending on CTV has increased year over year and should continue increasing in the second half of the year because of the amount of interest in it. Still, many advertisers don't understand how connected television works and how to use it effectively. Most only make short-term commitments to it. CTV ad pricing is high, and ROI can be a challenge. The Trade Desk was first to market and has become the industry standard, being used by all the large agencies that want a one-stop shop. This source's agency, however, has decreased spending on The Trade Desk by going directly to media owners to negotiate better prices for inventory.

Connected-TV Ad Spending Trends

- "I didn't see any slowing in April. In fact, demand for all TV shot up to a good level. We didn't know what to expect coming out of COVID, but both CTV and traditional TV spending definitely increased. Demand for TV was up."
- "One of the reasons was political issues money. It started earlier this year than we had anticipated. Normally, the planning and placing for midterm [elections] doesn't start until June. The political dollars came out of the woodwork earlier, with plenty to talk about on both sides. Spring spending also came out of its shell. It didn't happen as traditionally in February and March because it was cold. People held dollars until they got to the end of March and April."

- "A lot of [advertisers] still don't understand connected TV, but they've heard of it, and they feel they need it. Advertisers who were traditional television-only have started to gravitate to CTV, wanting to understand more about it and how to use it effectively. More people are deciding to start implementing it."
- "April 2022 was definitely up compared to April 2021, with more clients trying to figure out CTV and how to use it effectively. Yes, April [year over year] compared to March [year over year] is up in [spending] and demand for CTV."
- "I expect CTV spending to be up in the second half of the year because demand is there and so is interest. For now, new advertisers don't seem ready to commit to it for longer than a quarter because they don't know what to make of it yet. People are trying it, but they—and even larger advertisers—are apprehensive about committing long term."
- "It's not just buying but understanding what levers in CTV can work for you instead of against you. Sometimes it's things like auto dealers seeing one dealer trying it, and then they all want to do it. In political advertising, it's about the detailed targeting of the audience's leaning and which news sources they ingest daily. They might reasonably decide to only send the message to those people. But to sell a Cadillac, it will be targeted at an inherently male audience, and then there might be some experimentation with other attributions and an assessment of success after a certain number of weeks. This is where CTV has its moments. You can't just set it and forget it. You need to optimize it. You have to be accountable, for example, if a car dealer ad has run for 90 days without any sales."
- "The data is only as good as the data we are presented with, and then you have to play around with it. CTV is a challenge [to target and understand] how masses are watching."
- "My concern with CTV is that people are using it to expand their brand, but the [viewer demographics] have been splintering. Brands have to work harder to find the people they can brand their message to. I could run an ad on [Fox Corp.'s/FOX] Fox News or MSNBC nationally and know that my brand is going to masses. On CTV, however, I can either target a specific subset or try to get as many of the masses as possible."
- "Trying to find who's watching what with a Hulu subset or a Sling subset, you end up having to work harder to try to get your brand out because of how [the audience has] been splintered."
- "Viewing habits are completely changing, especially with the younger demographic."
- "There's massive fluctuation [in where CTV ad dollars are going]. The dominant one now seems to be Hulu. Hulu created another version of the cable system without a cord. But there's also Roku, which has its ups and downs. Amazon[.com Inc./AMZN] is adding more channels and a deeper arsenal, but it's not done yet. The large media companies are coming out with new products, but it takes years to gravitate to new channels. There's so much that's new on top of the older ones. Hulu is not that old even, but they are the veterans now in CTV."
- "CTV tastes change faster. Roku could be a big one for one month, and then it's stale the next month in terms of response. There are always new things, and then there are things with buzzes and also things that no one has heard of that has lots of viewers. You have to find the right mix."
- "Sometimes it can be a good move to target based on data, and other times it's not. Sometimes going in with a wide net can work better, like using Hulu for targeting MSNBC. It can work better because it's a masses play vs. a subset of, for example, men in their 50s with a taste for water skis. The onion can get very small when you do that. And you might as well do direct mail instead."
- "We've been able to ink a few deals directly on inventory that remains available. At the end of the day, they have inventory that they have to sell. We have gone directly to the [media] ownerships and ask for opportunities for certain clients who might be more CPM-conscious."
- "Because CTV is the new firebrand that everyone wants, their prices are absolutely higher than traditional television. They're even digging in their heels because they know the demand is there. They don't have the need to lower their prices. I believe that's going to hurt them. After all, they are just another version of television. The person who watches Hulu instead of Comcast is still just watching TV."
- "Retargeting using CTV has been very effective when TV drives someone to a website but they don't make a snap decision. Reminding people that the brand exists, even after 72 hours, has been good for many of our legal clients. We've found that people looking for an attorney will make a decision within 72 hours of their first search. A lawyer

A lot of [advertisers] still don't understand connected TV, but they've heard of it, and they feel they need it. Advertisers who were traditional television-only have started to gravitate to CTV, wanting to understand more about it and how to use it effectively.

Co-founder of a full-service ad agency in the Midwest

looking to retarget with CTV can do it for 72 hours and try to get that person back in. They don't have to do it for a full month. It's very successful to complete a campaign."
- "It's a challenge using CTV with an ROI. The worst campaigns are where advertisers come in with target data and target themselves to an impossibility of achieving an ROI. If there are three layers of targeting, the CPM can get very high. If you're selling a product or service that doesn't have a lot of margin, it's better not to spend."
- "On a short-term blitz to the right people, CTV is a great way to jump-start large-ticket items or a summer widget that everyone needs. But you have to mix it with digital. The two mixed do work, but CTV on its own is a tough cookie for an ROI-based campaign without anything else in the mix."

The Trade Desk

- "The Trade Desk is a good product. They were seemingly first to market, and they've become the industry standard. The Trade Desk has the buzz at all the major agencies. Large agencies want to work with the best. In the industry, The Trade Desk is the one because they command the higher price."
- "For smaller agencies, The Trade Desk is not the end-all, be-all. An agency that cares about ROI is going to pull some levers. Just to place an ad, you can go to the help desk, program it in, put the ad in, and then let it run. The Trade Desk is not necessarily the best asset for lever-pulling."
- "The Trade Desk is, however, the brand standard when people are thinking about CTV. For a higher-caliber agency like ours, The Trade Desk is a one-stop shop. They've made it easy. People other than media buyers who make $200,000 could do it [on their own]. It's a plug-and-play."
- "Our spending on The Trade Desk has changed."
- "They're wonderful because they have access to the inventory, and they have a great computer system to talk to it. But you have to pay The Trade Desk's going rate to have access to it. My agency sometimes instead talks directly to the media ownerships to learn about inventory that can do better [than The Trade Desk] in terms of clients who have certain ROI expectations."
- "I don't think we are the only agency to say that even if The Trade Desk is great, we wonder if there aren't better deals to be had out there. After all, it's the agency's job to find a better deal for the client. And yes, there are better deals sometimes. People used to call TV stations to get the rock-bottom rate. This is like going back to that time and finding out, for example, who to call at Sling to see who manages their inventory. It's not easy to find that person, but you can do it."
- "We've increased our efforts of trying to go around The Trade Desk."
- "Traditional agencies will continue to use them because of the ease of their one-stop shopping. But agencies that are focused on ROI and what brands are looking for at the end of all their campaigns are finding ways to not pay the highest possible price."
- "Our spending on The Trade Desk has decreased [compared with 2021] because we are finding other avenues to use CTV. If the inventory is there, all you have to do is ask."
- "At the end of the day, The Trade Desk is a good conduit to get to CTV. If you're a large agency, you can't go wrong with The Trade Desk, but you're taking what you get. Other agencies, however, need to ask if there are other ways."

> **The Trade Desk is … the brand standard when people are thinking about CTV. For a higher-caliber agency like ours, The Trade Desk is a one-stop shop. They've made it easy.**
>
> *Co-founder of a full-service ad agency in the Midwest*

5) Executive with an East Coast digital marketing agency

The growth of spending on connected-TV ads slowed in April compared with Q1, and such spending was flat sequentially. Spending should increase gradually through the second half of the year. Aside from connected TV, overall digital ad spending continues to increase significantly. Advertisers are seeing engagement opportunities with cord-cutters. Advertisers are generally comfortable with The Trade Desk, but many useful alternatives are available, and this source's agency uses its own platform.

Connected-TV Ad Spending Trends

- "Spending on connected TV advertising in April was about the same as in March. Spending on CTV in April 2022 increased about 15% to 20% compared to April 2021."
- "For Q1, [CTV ad spending was] up at least about 30% year over year."

- "First-quarter spending on CTV this year is up compared to Q1 2021 due to COVID and because advertisers are realizing the positives of digital advertising and that they didn't advertise as much as they should have [last year]. Advertisers are coming back. Advertisers understand that running videos is important for engagement and branding opportunities."
- "We push connected TV very hard."
- "There's a real engagement opportunity with cord-cutters. Digital advertisers are understanding more that the medium of CTV gives a much better opportunity for ROI even if trackability may not be there yet. The eyeballs are there. The tracking aspects, the metrics, are much better than what we see with traditional media spend."
- "We've seen massive increases in overall digital ad spend. Overall digital ad spend may be up about three times more compared to what they spent in prior years."
- "I'm very optimistic about CTV ad spend in Q2. As more businesses become aware of the potency of opportunities with CTV and OTT (over the top), it's easy to see an increase in digital markets. I absolutely believe Q2 of this year will be up compared to 2021. I also assume Q2 will be up compared to Q1 of this year, but it will depend on the sales teams and how well advertisers understand the opportunities of CTV. I think there will be a gradual incline through the second half of the year as we see more people cutting the cord."
- "CTV ad spend is mainly going into programmatic settings."
- "I think YouTube is an underserved market still. There are also unique opportunities within [Paramount Global's/PARA] Pluto. People go to the big guys, but the key is not necessarily following Roku and Amazon. It's more about diversifying. It's a brand new market, and we're still learning how to optimize it."

There's a real engagement opportunity with cord-cutters. Digital advertisers are understanding more that the medium of CTV gives a much better opportunity for ROI even if trackability may not be there yet. The eyeballs are there.

Executive with an East Coast digital marketing agency

The Trade Desk

- "I think advertisers use The Trade Desk because it's what they're comfortable with. As an analogy, when people choose between paint and colored pencils, it depends on the person and what they enjoy. Each one can create a perfect picture. There are plenty of other opportunities out there that are better than The Trade Desk."
- "We don't use The Trade Desk because we have our own platform that we utilize for ourselves."

6) Media and marketing executive at a Midwest agency

Spending on connected-TV ads held steady in April. The agency vets demand-side platforms for programmatic spending based on their reach, targeting capabilities, and data analytics. The Trade Desk has become an important tool for first-party data, which will become more crucial if and when cookies are phased out.

Connected-TV Ad Spending Trends

- "Although there are always peaks and valleys, with not only connected TV but other programmatic tactics—DOOH [digital out of home], audio streaming, native, etc. —our spends [on connected TV] have held steady."
- "The programmatic space continues to grow year over year in all industries. Speaking to CTV specifically, the growth has been paramount. It's an amazing time to be in the space."
- "Comparing the last several years is complicated, as we all know that COVID had such an odd impact on media spends and strategy. March 2021 and the months leading up to it felt like a comeback, with people consuming media differently and brands ready to spend to reach them."
- "With that being said, we have continued to see success with CTV in 2022. April did not see decreases in spend and continues to perform. It is important to note that while your questions are around CTV specifically, I believe that a sound strategy and an integrated plan, depending on client objectives, is needed in order for the full funnel to garner results."
- "It is such an important time to look at the entire ecosystem of what is available for a client's objectives and needs and build out an integrated media mix that will benefit them. This way of thinking is built into our DNA and our internal processes so that each client sees success in every campaign."

The Trade Desk

- "Our media and marketing teams have many [areas of] expertise; and we do work in all social media platforms, the Google suite of products, traditional media, many SEO tools, and programmatic as well."
- "Choosing which platform we would use for programmatic came down to several things—omnichannel; global reach; enhanced targeting capabilities; data analytics, [including] full funnel conversion tracking; and the looming reality that cookie deprecation will come at some point."
- "The Trade Desk has been a pivotal addition to our media capabilities and to the world of first-party data."

2) Ad Technology Developers

Some advertisers paused their CTV spending in early Q2, said two of four sources in this silo, citing global economic conditions and a negative environment in the venture capital markets. Two others said they have not seen any slowdown. All four offered an optimistic outlook for CTV ad spending, including two who called it the fastest-growing media channel. Advertisers have moved past the experimental stage with CTV ads and into strategic planning. One predicted that the percentage of TV ad spending going to connected rather than linear TV will be in the double digits this year. An improving ability to measure streaming-TV audiences is helping build confidence among advertisers, one source said. Three sources said The Trade Desk is in a good position to benefit from the growth of CTV. It is simple to use and has become a part of ad agency workflows. Its exclusive focus on the buy side as well as its scale and data make it the platform of choice. Advertisers and content owners still try to make direct deals outside of platforms like The Trade Desk's, one source said, but such deals are likely to become less common. A large share of CTV advertising is moving through smart-TV manufacturers such as Samsung and LG, as viewers are spending more time watching traditional linear TV channels delivered over the internet.

Key Silo Findings

Connected-TV Ad Spending Trends

- 2 of 4 said some advertisers have paused their CTV spending in Q2.
  - 1 said the slowdown is a result of global economic uncertainty.
  - 1 said clients who have cut CTV spending are particularly reliant on the venture capital market, which has dried up.
  - 1 said he expects softer upfronts than usual because advertisers want more flexibility.
- 2 said they have not seen any slowdown in CTV ad spending.
- 4 said the overall outlook for CTV ad spending is positive.
  - 2 said it is the fastest-growing media channel; 1 of those said its rapid growth makes it largely immune from any pullback in overall media spending.
- 2 said advertisers are moving beyond testing of CTV and into sustainable spending plans.
- 1 said the percentage of ad budgets going into CTV has moved from close to zero four years ago to "a sizable double digit" percentage this year.
- 1 said the bulk of CTV ads are aimed at branding and midfunnel tactics rather than direct response and immediate performance.
- 1 said improved measurement of audiences is helping drive confidence in CTV advertising.
- 1 said most of the money going into CTV is coming from other digital media rather than from linear TV.
- 1 said CTV publishers have little to no excess inventory.
- 2 said connected TV needs to clean up the experience for viewers and avoid showing the same ad too many times.
- 1 said big investment in CTV will not happen until a standard audience measurement system is available. 1 other agreed that big agencies are waiting for such a system but argued that a multicurrency environment is better for advertisers.

The Trade Desk

- 3 said The Trade Desk is extremely well-positioned to capitalize on the growth of connected TV.
  - 1 said it is simple to use and has become embedded in ad agency workflows.
  - 1 said it should be the starting point for any brand looking at DSPs because it has unmatched scale and data to allow advertisers to optimize their campaigns.
  - 1 said its decision to focus exclusively on the buy side makes it a much more attractive partner than other DSPs with their own inventory or supply-side operations.

- 1 said The Trade Desk has gotten good at modeling look-alike audiences, a capability that led to Facebook's huge success.
- 1 said the biggest challenge for The Trade Desk is agencies and publishers making direct deals outside of programmatic platforms.
  - Such deals often allow for better pricing and better inventory.
  - Direct deals are inefficient, however, and eventually, most sales will be done programmatically.
- 1 said the fastest-growing area of CTV is people watching linear channels that are delivered through an internet connection, such as through a smart TV.
  - The majority of ad spending is going to smart-TV manufacturers such as Samsung, partly because advertisers are comfortable with a process that is similar to traditional linear-TV buying.
- 1 said agencies are not necessarily using the same demand-side and supply-side platforms for CTV that they use for other media buys.

1) John Hamilton, CEO of TVDataNow, a measurement platform for CTV and OTT advertising

Some direct-to-consumer brand clients that are focused on ad performance started pausing CTV ad spending in late March and April because they are in fundraising rounds and are worried about the venture capital environment. Others have reduced the growth of their CTV ad spending. Overall, though, more advertisers are turning to connected TV, and spending has moved from test budgets to sustainable plans. The spending pause from some performance marketers should not hurt The Trade Desk, as most CTV advertising is brand awareness or midfunnel types of campaigns. Not much excess CTV ad inventory exists. An issue for The Trade Desk is advertisers making direct placements with publishers, which can give those advertisers better pricing and data. Eventually, though, most CTV advertising will be placed programmatically, and The Trade Desk will be well-positioned because of its scale and data.

Connected-TV Ad Spending Trends

- "The marketers that we work with are all performance marketers that are looking to measure and optimize their campaign on some sort of cost-per-acquisition or ROAS [return on ad spend] basis. They don't run campaigns per se with a start and end, but they're sort of always on."
- "We have had a few brands pause their CTV spending. The ones that hit the pause button did so end of March, April-ish."
- "They didn't necessarily pause directly because of global uncertainty, but they paused because they're somehow going through some sort of fundraising. They're all late-stage growth, looking for Series C, D rounds; and the VC (venture capital) market has dried up right now. They are all DTC (direct to consumer) brands in some way and companies that are adjusting their budgets month to month anyways."
- "For other [clients], what we're seeing with those budgets is less of a pullback and more of a decline in growth."
- "Our clients are all spending $100,000 to $250,000 max [on CTV] per month. Before the big iOS [anti-tracking] change, they were all spending over $1 million a month on Facebook and Google. That's what I tell people, that they have to be spending at some sort of scale on Facebook and Google to spend on CTV. But we're not working with the P&Gs or Nordstrom or any brands that are spending over $1 million a month on linear TV alone."
- "We're seeing more advertisers that are spending on CTV, to the tune of 2X from Q1 2021 to Q1 2022."
- "We're seeing year-over-year increases, in the sense that last year we saw a lot of test budgets, and now we're seeing larger and more sustainable budgets."
- "Most of our advertisers, their biggest spend is in Q1, [while] Q4 is historically pretty slow for them. They're all DTC advertisers that are probably not selling products that are gifts; they're products you buy for yourself. So in terms of spend from Q1 to Q4, it will go down for my advertisers.
- "Will Q4 [2021] to Q4 [2022] go up? Yes, I expect it to."

The Trade Desk

- "[The April spending pause] won't affect Trade Desk. The bulk of the CTV spend today is not performance marketers that are looking hardcore at performance. I still think it's a lot of brand and midfunnel budgets. They might adjust their creative in the face of global uncertainty, but they're not going up and down based on conversion rates and things like that."
- "We have really deep relationships with publishers [like] Hulu, [Fox's] Tubi, Pluto, Crackle; and what I do know is that I still have to ask for avails when I place a buy [for CTV ad space]. It's not like there's tons of inventory sitting around.

They are having no problems bringing in more deals. The publishers are still making money hand over fist right now. If you are a salesperson at a CTV publisher today, you are making a lot of money.”

- “The biggest headwind for The Trade Desk is how much of the spend in CTV is programmatic vs. direct. It’s not a headwind as much as a question or risk.”
- “You would assume that the bulk of the [CTV] spend is going to end up programmatic at some point, but we do most of our buys direct today and not through a DSP because it’s so much better to do it that way. We get better pricing on CPMs; we get better media; [the publishers] only make their best-quality media available direct, and they share more data with us.”
- “[We would go to The Trade Desk] to get access to media that we can’t otherwise get or to be more efficient. [We might use them] if, for some reason, we had a bunch of money to spend, and we had maxed out or exhausted our options with publishers, because we can only have so many direct campaigns going on at once.”
- “When I talk about direct campaigns, I’m talking about an [insertion order] that requires an e-mail and a phone call. You can only access so much media in that way.”
- “We have ad networks that we work with, which is how we get around [not using a DSP] today. I suspect in the future we’re going to have to do more and more programmatic, and I suspect that programmatic is going to end up being better than direct. That bodes well for a Trade Desk.”
- “What I tell people is that if I’m a buyer, a brand, and I’m looking for a DSP, your starting point should always be Trade Desk, especially for CTV. They have the most scale and the most data and the most capability, therefore, to optimize campaigns.”
- “I suspect that if you’re super sophisticated, if you go with somebody like InMobi, you might have more capability to find more pockets of opportunity on your own. But if you want to just set it and forget it, then Trade Desk is going to be your best option just because of their scale.”
- “I think The Trade Desk will continue to benefit from CTV [growing overall].”

> **The bulk of the [CTV] spend is going to end up programmatic at some point, but we do most of our buys direct today and not through a DSP because it’s so much better to do it that way. We get better pricing on CPMs; we get better media; [the publishers] only make their best-quality media available direct, and they share more data with us.**
>
> *John Hamilton, CEO of TVDataNow, a measurement platform for CTV and over-the-top (OTT) advertising*

2) Product executive at a leading smart-TV data and technology company

The overall growth rate of connected-TV ad spending has continued to skyrocket, making it the fastest-growing media channel. The Trade Desk has been successful because it caters exclusively to marketers and makes all inventory and data available, whereas some competitors offer a more limited view because they also operate supply-side platforms. The Trade Desk has gotten good at developing look-alike audiences, something that has been the key to Facebook’s success.

Connected-TV Ad Spending Trends

- “Is there a dip in CTV spend? Definitely not.”
- “It’s always a bit of a roller coaster, especially with a nascent media channel like CTV. But the overarching CAGR (compound annual growth rate) trend remains. It’s explosive. It’s the fastest-growing media channel, and it’s the classic story of the consumer eyeballs have already moved over, so the money has to follow.”
- “What we’re seeing is that the CTV explosion is just in its infancy; and it’s quarter-over-quarter, year-over-year, massive growth.”

The Trade Desk

- “We make our audience [data] available to Trade Desk customers. They’re a partner of ours. We work with all the DSPs.”
- “The Trade Desk’s narrative is that they exist to power an open marketplace, the open web. [Their pitch is], ‘Any media can be here, any buyer can be here, any data can be here; and we are here to, in a privacy-compliant manner, make sure that the brands can reach the right consumers as efficiently and performant as possible.’”

- "The reason The Trade Desk is having so much success is that they've built a platform that exclusively serves one master, and that's the marketer. There are other companies out there—Xandr [recently acquired by Microsoft Corp./MSFT from AT&T Inc./A]; Yahoo [formerly Verizon's DSP]; Google's DV360. All these competitors of The Trade Desk also have skin in the game on the supply side. Yahoo has its owned-and-operated properties and an SSP (supply-side platform); Xandr also has an SSP; and, of course, Google owns DV360."
- "In other words, they all have supply-side or publisher-facing technology, and so they actually have a limited swathe [of inventory]. I wouldn't call it a walled garden, but they have a limited view of the supply ecosystem. Whereas The Trade Desk—and this is why they've been so successful—they said from day one: 'We will never be a demand- and supply-side technology platform that services a marketplace and doesn't pick a side. We are picking a side. Our job is to make marketers successful."
- "The Trade Desk has no skin in the supply side. They don't care whether it's a Disney impression, a Pluto impression. They can do what's best for the advertiser. And because they have that very, very laser-focused perspective and mission, they are excelling."
- "They've created an algorithm that they've branded Koa, which is a machine-learning algorithm that factors in any and all data that's available to it to optimize for a cascading sequence of KPIs (key performance indicators) that you define when you use the product."
- "The reason Facebook had such a good run is because they were very good at look-alike modeling. You could upload a list of encrypted e-mail addresses, which would represent your customer base. Then you would take a piece of code that you put on your website as a brand that would then allow Facebook to track all the transactions and all the traffic on your website. So they started to build up an understanding of who your existing customer base is, and then they would algorithmically create a look-alike model of their entire user base and look for people who look similar to your existing customers who are not yet your customers. It's a very powerful prospecting approach."
- "The Trade Desk has figured out how to do this across the open web and on CTV [and] not just within a walled garden owned-and-operated inventory like Facebook as a publisher. That's why The Trade Desk will continue to win."
- "What The Trade Desk is doing is saying that walled gardens are the enemy; that all media, all data, should all be democratized and that the marketer, being their north star, should have access to everything in one place at all times. Walled gardens are incentivized not to do that, especially when it comes to being measured by a neutral third party."
- "To a degree, companies that make TVs—Vizio, LG in the U.S., Samsung, Roku—they have developed their own copycat technology that's like ours. But they're marrying owned-and-operated ad inventory with the data, because they own the operating system. That's the walled-garden play in the TV world."
- "Samsung is different [from other hardware makers in that] they have their own DSP, but they also make their inventory available on other DSPs."
- "If you're talking to [big ad agencies like] WPP and GroupM, they very much want somebody to step in and take over the Nielsen role [for measurement of CTV audiences]. Nielsen ONE [cross-media measurement] is also coming in a couple of years, and some agencies are perfectly comfortable waiting for that. The other holding companies have a very different perspective and have fully embraced the idea of a multicurrency world."
- "Here's why I believe multicurrency makes sense. In the old world, which GroupM wants to see reinvented for CTV, you were proxy-based; you had a single source of truth [Nielsen]. In the new world, you can actually have different currencies and metrics that are specific to your business. Success for Geico and success for Toyota or Disney, as a marketing organization promoting the parks, they don't look the same."
- "The idea that you can have one-size-fits-all for measurement when these businesses are fundamentally different from one another, it's a very old-world way of thinking. What Google and Facebook revolutionized is the concept of driving your business outcomes with algorithms. We just need to know what those business outcomes are."
- "I mentioned the waterfall of prioritized KPIs that The Trade Desk supports. This is why The Trade Desk is going to win. Anyone who is really focused on understanding the business of the marketer and not just trying to sell everybody a GRP (gross rating point) for TV regardless of their business model, that's the future. It's why multicurrency makes sense."

The Trade Desk has figured out how to do this across the open web and on CTV [and] not just within a walled garden owned-and-operated inventory like Facebook as a publisher. That's why The Trade Desk will continue to win.

Product executive at a leading smart-TV data and technology company

- "Let's say you're Geico, and you want to pay Hulu for the number of people you get as leads who you can try to sell insurance. That becomes the currency they agree to do a deal on. Suddenly, the GRP and the old Nielsen model doesn't matter as much."
- "De-duplicated reach and frequency matters, because you don't want to just keep badgering the same people about Geico that have already seen the ad 75 times. But at the end of the day, the de-duplicated reach and frequency is your top-of-funnel approach, and your bottom of the funnel is really what you're optimizing for—new customers."
- "If you look at where digital dollars go, between Google, Trade Desk and Facebook, there's not a lot of pennies left."

3) Founder of a CTV ad sales, measurement, and distribution services platform in Europe

No evidence points to a recent slowdown in connected-TV ad spending. While some anxiety about economic conditions persists, CTV is in a growth phase and would not be hurt as much as other ad channels if media spending declined. Better measurement of CTV is helping drive growth, with much of the shift to CTV coming from other digital media budgets. The industry still needs to improve the ad experience for viewers and develop reporting standards before big brands will go all-in. A big portion of CTV ad spending is going to TV makers such as Samsung, which offer experiences that are close to traditional TV but are delivered over the internet. CTV agencies that use platforms such as The Trade Desk or PubMatic Inc. (PUBM) for some ad spending are not necessarily replicating those partnerships for connected TV.

Connected-TV Ad Spending Trends

- "Since the start of 2021, we've been growing about 15% a month, and that's been pretty consistent. That's in terms of revenue, and I think the brand count [growth] would be pretty similar."
- "I haven't seen any slowdown. The only difference when you talk to me vs. a [platform like The] Trade Desk is that we are a direct-sales agency, so we don't necessarily see the whole market in terms of all the advertisers that spend."
- "There has started to be a lot more nervousness [in general economic sentiment due to] supply chain issues and ultimately the expectation of a recession and how this will affect the bigger brands' spend. But I don't think that's acutely concerning for CTV because in terms of the industry and where it's looking, it's a bit like a juggernaut. I would argue that we're at a point now that if spend did slow down generally in media, I don't think that would impact CTV as much. This market in particular is in a growth phase. I was at a conference last week, and nine out of the 10 talks I went to were focused on CTV."
- "What I think is helping to drive the growth that we're seeing is the measurement that we do. Our ad server is very focused on TV, and we've got a whole team that monitors ad breaks. We also work with a company that monitors and measures attribution, so they tag the ads and are able to track the person who has watched the ad via their encrypted IP address and measure whether they visit the website or make an action that is linked to the ad they've seen."

> **There has started to be a lot more nervousness [in general economic sentiment]. … But I don't think that's acutely concerning for CTV because in terms of the industry and where it's looking, it's a bit like a juggernaut. I would argue that we're at a point now that if spend did slow down generally in media, I don't think that would impact CTV as much.**
>
> *Founder of a CTV ad sales, measurement, and distribution services platform in Europe*

- "That has made a fundamental difference to us in terms of the brands we work with. We work with about 25 publishers now and have about 50 million pure CTV impressions a month that we sell in the UK and about the same again in Germany and Spain.
- "I've been plugging away at this for about three years now in the UK and Europe. The U.S. is different, but here in my territory, it's only been in the last six months that the industry has finally started looking properly at connected television. The UK and Germany are a long way ahead of the rest of Europe in this world. Spain and the others are catching up but are nowhere as near as advanced."
- "Consumers have been using CTV for a lot longer, and that's largely been driven by the pandemic—people over here having time to watch different types of content and not just watching linear. That's been sped up rapidly. There's a shift away from people just buying a Sky subscription or a BT [TV] subscription. If your Samsung TV has its own EPG (electronic program guide), then people are more willing to try that and find content that they like. Gradually, the advertising world is catching up."

The Trade Desk

- "For the DSPs and SSPs of the world, I think there's a real challenge in that the industry is now excited, and agencies are now starting to sell this [CTV] concept to their brands. But it's a hybrid—it's TV, but it's also digital. To date, in the U.S. and also in Europe, the migration has happened, with brands removing spend from digital and putting it onto connected TV."
- "When they're doing that and it's video on demand and [advertisers] are buying pre-rolls or midrolls, that's one thing—the ad servers they use and the programmatic pipes that are plugged in are quite effective."
- "But the area that's growing more rapidly than anything within CTV, certainly in this territory, is FAST [free-to-air streaming TV], like Samsung TV Plus; LG; and, to a degree, Roku, Pluto etc.—watching a linear channel but via an internet connection. That's growing hugely."
- "The challenge is that although, programmatically, adverts can be served, currently there's not really an ad server in the market that's capable of replicating the TV experience from an advertising perspective."
- "What I mean by that is, in CTV, the back end, or the technology that supports it, is digital-first technology. It's very good at delivering ads to digital platforms, but it's not so good when it comes to a linear feed."
- "The fundamental challenge for an agency is replicating a TV experience for consumers with advertisements and not having the ads destroy the experience before it's too late. In this market, for example, you can watch a channel and just see one ad for the whole day. Or you could watch a show and see the same ad repeated three times."
- "It's coming, but there isn't the same quality control happening in CTV as traditional linear TV. You've got huge pressure coming from advertisers because more people want to invest in it, but the experience for the consumer isn't there yet."
- "The second challenge is one of accountability. Most of the other big mediums have an agreed formula for measurement. We can argue how accurate those agreed formulas are; we've got BARB here in the UK, which is industry standard. That doesn't exist for connected TV yet."
- "If you want to really start changing the game in terms of investment and have the bigger brands start pulling money out of [traditional] TV, they're going to need a centralized reporting mechanism."
- "You've got a situation where consumers are using CTV and engaging with it and watching it; advertisers are starting to spend money on it; but the infrastructure is not quite there, both from an ad positioning and ad placement perspective and an accountability on—reporting—to fully capitalize on the opportunity."
- "One of the challenges is how people define CTV. Some people look at it as any form of video, and they're including watching something linear on your desktop, whereas other people are just looking at it as TV connected to the internet. If you just look at TV connected to the internet, the big majority of spend—and probably deliveries—is the [hardware] manufacturers. Samsung TV Plus over here is significant."
- "We have a lot of channels with them, and they are really delivering the impressions, and we're able to sell them. One of the reasons for this is that it's as close to traditional TV as you can get, and therefore it's in the sweet spot for some advertisers who are nervous about other platforms. They understand how it works, they understand the consumer journey; and so in a way, it's like the low-hanging fruit."
- "It's the manufacturers who area leading the charge; and then you've got the platforms like Roku, Pluto, Rakuten behind them; and then the web-based players."
- "The platform side of things is really complex. You've got the DSPs like Trade Desk and Google, and then the SSPs like SpotX, Magnite [Inc./MGNI], PubMatic; and different agencies engage them in different ways. Then you've got some of them operating as ad servers as well as SSPs, which means certain supply is only ever available via them, a particular network. So you've got miniwalled gardens as well as open platforms, and it's a complex world."
- "From where I'm sitting, there are not global or group-level deals that are taking place with agencies [and DSPs]. It's not the Wild West, but I was talking to an agency the other day who is using three SSPs and one DSP. I would have thought [agencies] would have a group deal at some point, but they don't."

> **The fundamental challenge for an agency is replicating a TV experience for consumers with advertisements and not having the ads destroy the experience before it's too late. In this market, for example, you can watch a channel and just see one ad for the whole day. Or you could watch a show and see the same ad repeated three times.**
>
> *Founder of a CTV ad sales, measurement, and distribution services platform in Europe*

- "What is really interesting, from what I can see, is CTV agencies are not replicating their existing partnerships that they have for their digital display, for example. So PubMatic, for example, is huge in digital display; but that relationship is not necessarily being replicated into CTV, for PubMatic or SpotX or anyone else. Agencies are making different choices, and I imagine they're being made on the quality of tech, reporting, delivery."
- "I think the risk for all of these programmatic platforms is the quality control on the ad experience for the consumer. That is a risk for all of them. This market will keep growing, providing the ads are served and delivered in the most appropriate way. If you get to a point where no one figures out how to not run the same ad in the same break, then the eyeballs are going to go down, revenue will stop, and the result will be that there's no more market."

4) Senior executive with an audience measurement company

No pullback has occurred recently in spending on connected-TV advertising. Ad spending on CTV has moved beyond the experimental stage. Every year, larger percentages of budgets are going into CTV vs. linear TV, a percentage likely to further increase at this year's upfronts. However, economic uncertainty means overall spending at the upfronts may be softer than usual, as advertisers want to maintain flexibility and hold dollars for the scatter market. The Trade Desk has a first mover's advantage among demand-side platforms and has become part of advertisers' workflow because of its simplicity. Less inventory is being traded at the upfronts based on Nielsen measurements and more on other currencies, such as iSpot.tv and VideoAmp.

Connected-TV Ad Spending Trends

- "There hasn't been a pullback [in spending]. People are actually moving from being experimental with CTV to strategy and tactics with CTV."
- "The economy shrank in the first quarter because of pricing and supply chain issues, the Ukraine war, etc. [So] people are hitting the pause button on spending a little. Advertising is correlated with the economy."
- "At the upfronts, all the media companies are doing a cross-platform sales pitch. As an example, NBC used to sell programming. Then they sold audiences across their portfolio. Now they're selling audiences across all their platforms. Their pitch is that they can deliver an audience, whether it's on Peacock or NBC or CNBC."
- "One of the metrics to look at with the upfronts is what percentage of budgets are going into linear television and what percent into CTV and streaming services. Four years ago, that [CTV number] was zero; two years ago, it was still a small number. But this year, it's going to be a sizable double-digit number."
- "A second number worth looking at from the upfronts is about alternative currencies. What percent of inventory is going to be traded on Nielsen, and what percent is going to be traded on alternative currencies? NBC is going to be using iSpot.tv, and Paramount is using VideoAmp. Media owners have made statements about not using Nielsen as the only currency to sell and to buy."

> **There's uncertainty in the economy. There will be massive amounts spent [on advertising] by politicians for candidates and causes in the third quarter. That makes me think we'll have softer upfronts than usual because people want to have flexibility.**
>
> *Senior executive with an audience measurement company*

- "Finally, a third number that is important at the upfronts is the money that will be committed for the upfronts vs. what will be held out for the scatter market."
- "There's uncertainty in the economy. There will be massive amounts spent [on advertising] by politicians for candidates and causes in the third quarter. That makes me think we'll have softer upfronts than usual because people want to have flexibility. CTV gives you that flexibility."
- "Linear-TV ad spend is flat to down, and it's been that way for a long time. Connected TV is the bright spot. CTV is going to continue to grow. I don't think there is going to be any slowdown."
- "CTV neutralizes any of the advantages that digital [platforms] had in data targeting and measurement. It doesn't have the same efficiency yet, but it's getting there. Digital advertising's data can target and measure. CTV has the same data. If you deliver to an IP address, you get an IP address, asset ID, and a time stamp. You know who has seen the ad and where. With linear TV and Nielsen, it's a guess, based on a sample of 40,000 people."

- "There isn't a lot of data around Google's YouTube. However, it's the Netflix story that is interesting at the moment. Advertising continues to subsidize distribution and content. Netflix had talked about never doing [an ad-supported tier], and now they need to do it because their subscriber growth is slow. It's a battle and a land grab."
- "There will be winners and losers until we find a more or less static equilibrium with shares and then share shifts. But we're not there yet."
- "I'm still subscribing to new [streaming] services. There'll be a time when I will recognize it's time to stop, and then I'll make a decision about what to keep and what not to keep. Inflation might end up accelerating those decisions—when people think about spending $6 for a gallon of gas, they'll think maybe they don't need a certain TV service."

The Trade Desk

- "Advertisers and agencies choose The Trade Desk because of its ease of use and simplicity compared to the other platforms. Planners and buyers are not going to use multiple platforms. They might use one or two maybe, and the more savvy will use three. But The Trade Desk got there first, so they're in a good spot."
- "They are simple to use. People know that, and it's part of their workflow now."

3) Industry Specialists

No signs point to a slowdown in CTV ad spending, according to the one source in this silo, a CTV marketing association executive. The industry is in such an early growth stage that even if spending in the broader media market slows, CTV should withstand a correction. India is a likely source of rapid growth. The Trade Desk is in a good position to take advantage of CTV growth, especially because it has been putting effort into security and safety—key issues for an industry grappling with fraud. CTV hardware makers are the new gatekeepers of content and ad inventory, and the likes of Samsung are only just starting to ramp their ad sales platforms and teams.

Key Silo Findings

Connected-TV Ad Spending Trends

- 1 of 1 said he has not seen any slowdown in CTV ad spending thus far in Q2.
- 1 said connected TV is likely to be more resistant than other media channels to deteriorating global market conditions.
- 1 said CTV inventory continues to ramp up and will get a boost from Disney's and Netflix's launching ad-supported subscription tiers.
  - It will be five years before CTV inventory peaks.
- 1 said CTV ad prices are more expensive than linear TV because of a lack of inventory.
- 1 said TV manufacturers have a strong business model for selling advertising and distributing content.
- 1 said India will be a major region for growth of CTV ad spending.

The Trade Desk

- 1 said The Trade Desk has established itself as the standard for programmatic ad buying in CTV by providing a secure platform.
- 1 said ad fraud remains a problem for CTV—especially around duplication, where platforms buy and sell the same inventory from different publishers.

1) James Grant Hay, President of the Connected TV Marketing Association

Connected-TV Ad Spending Trends

- "I haven't seen any slowdown in CTV ad spend in April. The biggest media agencies have already made their strategic investments on the basis that CTV is headed for exponential growth and will be able to withstand any change in global market conditions. In the event of ad contraction, CTV is a performance channel that will only attract more media investment."
- "In terms of growth in digital ad spend, agencies and advertisers are following that performance trend. If you talk to a media buyer, they'll tell you that the ability of the CTV sector to withstand any economic slowdowns or contractions in media is very good because of its outperformance and growth prospects."

- "Moreover, ad spend into the sector is steadily increasing each quarter. In terms of available inventory, the sector probably won't peak until five years from now. So it's ramping up and will continue to ramp up, as more entrants move in and lay out their ad supply business models."
- "With CTV ad inventory supply in such demand right now, the cost of buying premium CTV is more expensive than linear-TV ad buys. So we expect more inventory to become more affordable as Disney and Netflix announce their streaming ad tier offerings with AVOD [advertising-based video on demand], giving the CTV ad market a further boost in ad spend overall coming into the second half of this year into next. An increase in supply will lower CPMs, making CTV ad buys even more attractive and more affordable to investment."
- "In addition to this trend is the overall growth in the sector of native CTV advertising. The hardware makers like Samsung Ads and LG Ads Solutions are activating their sales teams right now, supporting both FAST (free ad-supported TV) and BVOD (broadcast video on demand) content channels for publishers and offering media buyers both linear and digital video ad solutions on their platforms."
- "Smart-TV manufacturers like LG, Sony, Samsung, and Hisense are commercializing a very viable business model right now, advantaged by their own IP licensing and proprietary operating systems that encompass delivery of both native CTV advertising and content distribution revenue on their platforms."
- "I predict India is going to be a major area of growth for ad spend and CTV adoption. It's a lucrative digital ad market. It also has its own onshore production of smart TVs to fill the gap in the global supply chain. And Indians as consumers are early adopters."

> **If you talk to a media buyer, they'll tell you that the ability of the CTV sector to withstand any economic slowdowns or contractions in media is very good because of its outperformance and growth prospects.**
>
> *James Grant Hay, President of the Connected TV Marketing Association*

The Trade Desk

- "The Trade Desk has established itself as a world's-best-practice business model in this sector that is making media investment safe and attractive to media buyers by providing a secure platform. It's a strong business model."
- "However, ad fraud in CTV is quite prevalent because of ad duplication, meaning some DSPs and SSPs buy and sell the same inventory from different publishers—which is why industry standards and adherence to regulation, transparency, privacy, and universal ID standards are required."
- "Globally, as CTV moves toward automation in which buying, selling, and trading of digital media in the sector is programmatic and SSAI (server-side ad insertion), the very best operators will stand out. The Trade Desk leadership team has set the gold standard across measurement, visibility, and privacy. So I think the Trade Desk will continue to strengthen its business model in the U.S., Europe, and the Asia-Pacific region."

Secondary Sources

These two secondary sources focused on how ad-supported streaming TV will be used to track viewers and how the rise of CTV is affecting the traditional interplay between content owners and advertisers at the annual television upfronts.

May 18 Fast Company article

Consumer privacy advocates are concerned that the growth of ad-supported streaming services is creating new opportunities for digital surveillance. Advertisers are turning to CTV partly because of new challenges in tracking consumers through other digital media.

- "When you sign up for an ad-supported streaming service, the trade-off may seem straightforward: In exchange for watching commercials, you'll pay lower prices (or perhaps nothing at all)."
- "But by sitting through commercial breaks, you're giving up more than just a few minutes of your time per hour. Smart TVs and streaming devices represent a treasure trove of data for marketers, who can learn a lot about you based on what you watch. By associating your streaming TV accounts with broader marketing profiles, advertisers can see if they've influenced your behavior on other devices and could potentially use that activity to further influence the ads on your TV."

- "Ad tech experts say the data they get from streaming TV users is supercharging what's already a booming business. The Interactive Advertising Bureau expects streaming TV ad spending to hit $21.2 billion this year, up from $15.2 billion in 2021, AdWeek reports, and both Disney and Netflix are now developing ad-supported tiers."
- "Yet consumer privacy advocates fear that streaming devices are creating a new frontier for digital surveillance, one in which users have little control over their data."
- " 'They have deliberately ported over the surveillance advertising complex into the streaming video OTT [over-the-top] system,' says Jeffrey Chester, the executive director of the Center for Digital Democracy, a Washington, D.C.-based nonprofit. 'And the technology, marketing, and ad practices—the expansion of monitoring viewers and families—is a four-alarm privacy and online consumer protection fire.' "
- "As a venue for data collection, streaming TV is largely unconstrained. Platforms like Roku and Fire TV don't offer simple ways to opt out of tracking—the options to hide a unique ID from advertisers are buried deep within their respective settings menus. And they have little control over individual streaming services, each of which have their own data collection policies."
- "Smart TVs can even monitor everything you're watching, including on external streaming players and game consoles, and some of them sell that data to marketers."
- "Once a streaming service has collected this information, it can work with a company like the Trade Desk to tie that data to other data sources. In essence, this allows an advertiser to use your activity on a phone or computer [or your transactions at physical stores] to target you with ads on TV devices, or to see if you bought what was advertised on TV."

May 16 New York Times article (Subscription required)

With advertisers allocating as much as 50% of their video budgets to streaming, such connected TV services will be front and center at the annual upfronts.

- "For the first time in three years, the circus is coming back to town."
- "The television industry's biggest showcase for advertisers, the so-called upfronts, will return to Manhattan landmarks like Radio City Music Hall and Carnegie Hall after the pandemic put the glitzy, in-person galas on hold. Just like in the old days, media executives will make their best pitch to persuade marketers to buy tens of billions of dollars of commercial time in the coming months."
- "But thanks to the vastly changed media industry, many aspects will be radically different. The companies themselves have changed: CBS merged with Viacom and then renamed itself Paramount Global, and WarnerMedia and Discovery completed a megamerger, forming Warner Bros. Discovery. The tech giant YouTube is making its debut on the presentation lineup this week, and there is already intrigue that Netflix could join the fray next year."
- "And instead of unveiling prime-time lineups that will roll out in the fall, media companies are expected to spend a large portion of their time talking up advertising opportunities on streaming services like HBO Max, Peacock, Tubi and Disney+. There's good reason for that: Advertisers are now allocating closer to 50 percent of their video budgets to streaming, up from around 10 percent before the pandemic, several ad buyers said in interviews. The free ad-supported streaming platforms Tubi and Pluto were highlights for their owners, Fox and Paramount, in the most recent quarter."
- " 'The upfronts used to be "Here's 8, 9, 10 p.m. on Monday night"—I don't think anybody cares about that anymore,' said Jon Steinlauf, the chief U.S. advertising sales officer for Warner Bros. Discovery. 'You're going to hear more about sports and things like Pluto and less about the new Tuesday night procedural drama.' "
- "The courtship is no longer one-sided, when reluctant streaming platforms once put a stiff arm to commercials. As subscriber growth starts to slow for many streaming services, advertising—a mainstay of traditional media—is gaining appeal as an alternative source of revenue."
- "Netflix, which resisted ads for years but is aiming to debut an ad-supported tier later this year after a subscriber slump, is expected to play a larger role in future upfronts. Disney+, which has so far continued to increase its subscriber count, said this year that it would also offer a cheaper option buttressed by ads."
- " 'Streaming is part of every single conversation that we have—there isn't an exception based on who your target it is, because whether you're targeting 18-year-olds or 80-year-olds, they're all accessing connected TV at this point,' said Dave Sederbaum, the head of video investment at the ad agency Dentsu."
- "Last year, ad buyers spent $5.8 billion on national streaming platforms, an amount dwarfed by the $40 billion allocated to national television, according to the media intelligence firm Magna. But television sales peaked in 2016

and are expected to decline 5 percent this year, compared with a 34 percent surge projected for streaming ad revenue as services offer more preproduced and live content."

- "The rapid changes in viewing habits have caused many marketing executives to shift toward ads placed through automated auctions and 'away from legacy models like upfronts' where advertiser choice is limited, said Jeff Green, the chief executive of the ad-tech company The Trade Desk."

Additional research by Eva Cahen and Emily Carr.