

TELEVISION UPDATE WINTER 2016–2017

The Shift in Ad Currency

DECEMBER 2016

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TELEVISION UPDATE WINTER 2016–2017: THE SHIFT IN AD CURRENCY

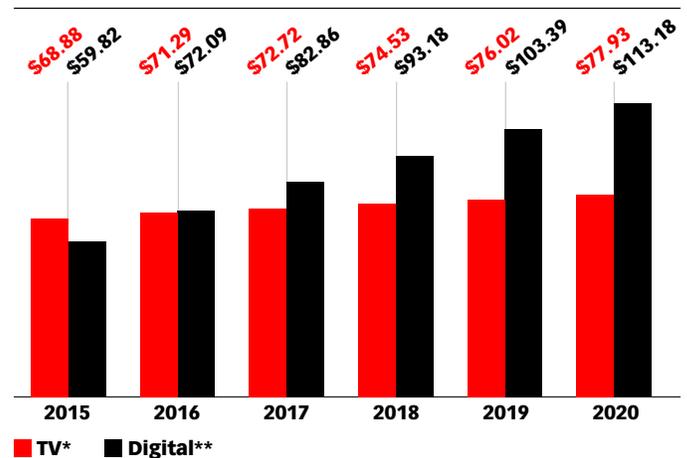
For decades, TV advertising time has been valued and transacted on the basis of delivering the standard age and gender audience segments, such as adults ages 25 to 54. But richer, more descriptive advanced targets are emerging to form the basis for secondary audience guarantees, supplementing the primary benchmarks.

- Advanced targets are created by combining first- or third-party consumer purchase data with TV viewing information, resulting in TV ratings that better reflect advertisers' targets as opposed to the standard age and gender descriptions.
- In the 2017–2018 TV season, secondary guarantees made on advanced target delivery could account for as much as 10% to 15% of the inventory sold by those network groups that are leaders in data-driven targeting.
- The variety of advanced TV offerings introduces new complexity to the marketplace. Differences in the data sources used to create these targets make it difficult for media agencies to evaluate offerings vs. their own in-house TV investment models. Third-party verification of network-produced advanced TV ratings will be inevitable as advanced targeting scales.
- Advanced TV offerings will eventually include targeting capabilities across both TV and digital—which currently make up more than 70% of spend for a typical media plan. TV and digital targeting is a longer-term prospect, given the networks' primary focus on selling just TV inventory. The undertaking also requires integration of TV and digital audience estimates within a closed system.
- TV networks have begun to work more directly with advertisers, many of whom are providing networks with first-party customer and transaction data to develop more precise TV targeting and gauge ad effectiveness on network properties.

WHAT'S IN THIS REPORT? This report examines the emergence of advanced TV targeting offered by television networks and the potential for TV ad currency to migrate from standard age and gender segments to these more descriptive consumer benchmarks.

US TV* vs. Digital** Ad Spending, 2015-2020

billions



Note: *includes broadcast TV (network, syndication and spot) and cable TV; **includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms
Source: eMarketer, Sep 2016

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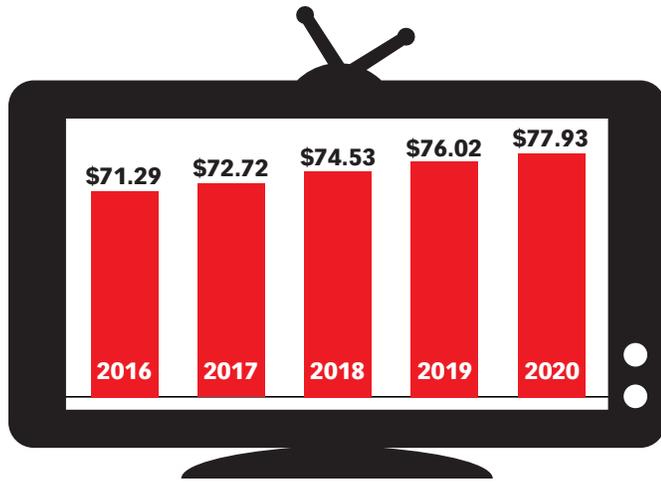
KEY STAT: With US digital ad spending surpassing TV ad spending in 2016, the influence of digital targeting capabilities on the traditional TV space will only rise as the years progress. Marketers' push to drive advertising results will also encourage TV networks to guarantee audiences via more advanced, digital-like metrics.

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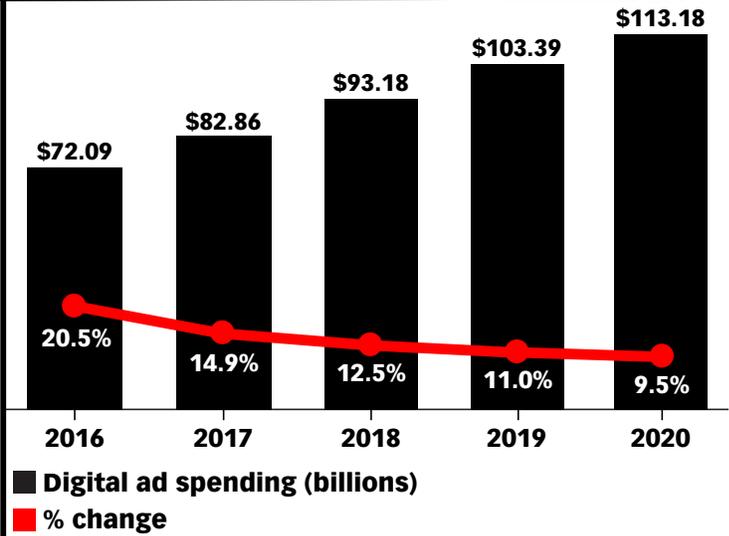
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eMarketer's Winter 2016-2017 TV Dashboard

US TV Ad Spending billions



Digital Ad Spending billions and % change



TV Audience millions

	2014	2015	2016	2017	2018
TV households	116.0	116.0	116.0	116.0	116.0
TV viewers	233.7	234.2	234.7	234.9	234.6
—Millennial TV viewers	64.9	67.8	70.8	73.6	76.3
Pay TV households	101.3	100.7	100.0	99.0	97.8
—Cable households % of pay TV households	54.3%	54.4%	54.5%	54.5%	54.4%
—Satellite households % of pay TV households	33.1%	32.8%	32.5%	32.4%	32.4%
—Telco households % of pay TV households	11.2%	11.5%	11.7%	12.0%	12.2%
—Multiple pay TV connection households % of pay TV households	1.3%	1.3%	1.3%	1.1%	1.0%
Non-pay-TV households	19.5	20.8	22.4	24.1	26.0
—"Cord-nevers" % of non-pay-TV households	77.4%	76.5%	75.4%	73.6%	72.1%
—"Cord-cutters" % of non-pay-TV households	22.6%	23.5%	24.6%	26.4%	27.9%

Note: **TV ad spending** includes broadcast TV (network, syndication & spot) & cable TV; excludes digital. **Digital ad spending** includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices on all formats mentioned; includes classifieds, directories, display (banners/static display, rich media, sponsorships and video, including advertising that appears before, during or after digital video content in a video player), email, search (paid listings, contextual text links and paid inclusion), mobile messaging (SMS, MMS and P2P messaging) and lead generation (referrals); data up to 2014 is derived from Interactive Advertising Bureau (IAB)/PricewaterhouseCoopers (PwC) data. **Adult TV viewers** are individuals ages 18+ who watch live or recorded video on a TV set at least once per month; includes DVR and other prerecorded video such as video downloaded from the internet but saved locally. **Millennials** are individuals born between 1981 and 2000. Only Millennials over age 18 are included in the TV viewer and TV time spent figures. **Pay TV households** are those with a subscription to traditional pay TV services; excludes IPTV and pure-play online video services (e.g., Hulu, Netflix, YouTube, etc.). **Traditional pay TV services** include cable, satellite, telco and fiber operators, multiple system operators (MSOs), multichannel video programming distributors (MVPDs), and major TV broadcast and cable networks. **Non-pay-TV households** are those that have cancelled their subscription or have never had traditional pay TV services. **Cord-cutter households** are those that have cancelled their subscription and no longer subscribe to traditional pay TV services. **Cord-never households** are those that have never had a subscription to traditional pay TV services.

Source: eMarketer, 2016

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AGE AND GENDER TARGETING: CURRENCY FOR THE DECADES

For decades, audience ratings for age and gender segments have served as the primary metric for valuing TV ad inventory, estimating TV audiences from one year to the next and as performance benchmarks by advertiser procurement departments. But more descriptive secondary targets are beginning to come to the fore as marketers shift their attention from audience delivery to advertising outcomes.

PRIMARY AND SECONDARY TARGETS

The standard process of placing an ad on TV has not changed significantly for years. Advertisers first research and develop detailed descriptions of their most desired consumer segments and pass the information on to their media agencies to be transformed into TV ad targets. Media agencies, in turn, use syndicated research sources like GfK MRI to provide high-level direction for this translation to TV buying.

In recent years, however, big data integrations have made it possible to enrich TV viewing data with electronically gathered consumer activity, such as shopping transactions. Third-party data firms such as Experian, Acxiom and Nielsen Catalina perform these integrations by matching the homes in their databases with the households within the TV-viewing data source. When the match is completed, marketers can identify the TV networks and programs that deliver the highest concentration of their target consumers, and therefore make their ads more effective. No personally identifiable information is sent to outside parties—only demographic and consumer activities are used for targeting purposes.

TV networks generally limit their audience delivery guarantees to standard age/gender demographics. Forecasting future audiences can be difficult, so networks are wary of guaranteeing anything beyond that.

If a network fails to deliver the audience numbers it had guaranteed, it will provide “make goods” (additional commercial inventory to compensate for the shortfall). Swings in TV show popularity amid continual fragmentation of the viewing pie make future audiences hard to predict. Nielsen’s current ratings system is challenged to support reliable TV audience estimates for anything more precise than basic age and gender—these are the metrics that can stand up to audience guarantees.

Although rich target audience data is more available than ever before, Nielsen-based estimates remain the primary currency for valuing commercial audiences. Secondary targets (also known as “advanced” targets) can be made up of multiple demographic or behavioral descriptors that reflect target consumers that advertisers believe are most likely to be receptive to a brand’s advertising with the primary target—for example, a primary target of adults ages 25 to 54 and a secondary target of adults in that age range with children or within a certain household income bracket.

ADVANCED TARGETING CURRENCY

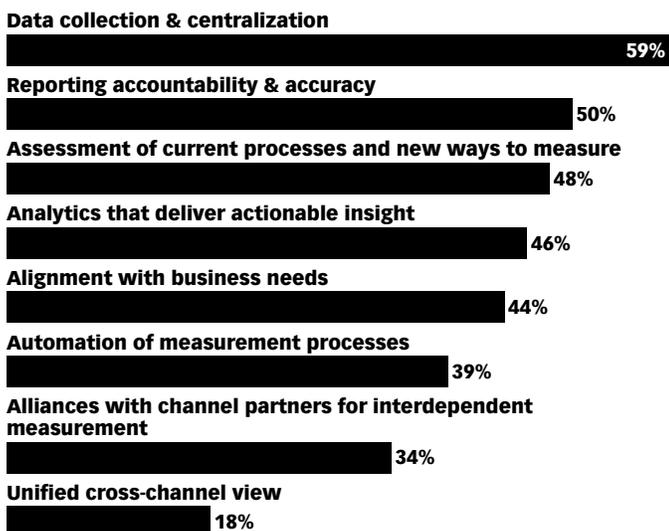
Marketers' focus on advertising accountability is fueling the motivation for implementing secondary guarantees based on advanced TV targets. Media agencies, however, may favor retaining age and gender as primary ad currency and leverage their proprietary targeting models as the basis for buying TV inventory across all networks.

MOVING FROM GROSS RATING POINTS TO BUSINESS OUTCOMES

The fixation on measuring the impact of marketing and ad investments is stronger than ever. And marketers are setting up the tools and processes that make this measurement possible. In a February 2016 survey by IDG Connect, nearly six in 10 US marketing execs named data collection and centralization as a marketing measurement challenge. Additionally, half of respondents cited reporting accountability and accuracy as obstacles to measurement.

Marketing Measurement Challenges According to US Marketing Executives, Feb 2016

% of respondents



Source: IDG Connect, "Seeing the Forest for the Trees: Unified Analytics for Modern Marketing" sponsored by Conversion Logic, May 17, 2016

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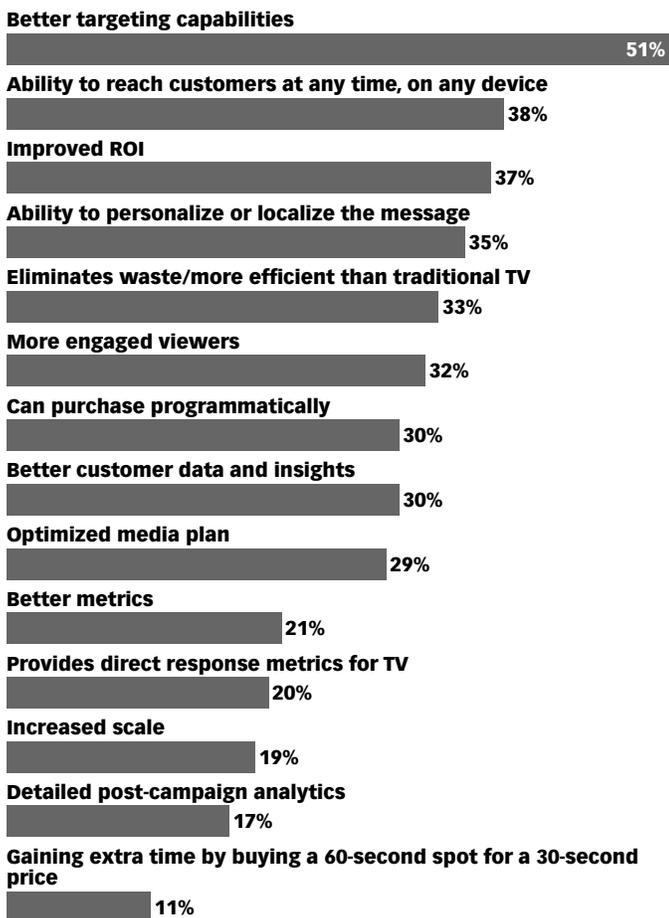
Marketers are quickly moving beyond table stakes measurement of audience impressions delivered. Instead, they want to quantify advertisements' impact through metrics such as sales, store visits, auto dealership traffic, site registrations and app downloads. The ability to combine large sets of consumer transactional and media exposure data has created a laboratory of sorts for learning how media and advertising work to drive consumer action.

In TV advertising, accountability is a consistent underlying theme of change that is driving the need for deploying advanced ad targets that are more predictive for driving sales. Bill Livek, executive vice chairman and president at comScore, asserts that media agencies' recent push for advanced targeting is a response to marketers' mandate for better media placement performance.

Similarly, polling conducted by Advertiser Perceptions for the Interactive Advertising Bureau (IAB) found that better targeting capabilities was the most commonly named benefit for buying advanced TV ads, cited by more than half of US senior-level agency and marketing execs surveyed in July 2015.

Benefits of Buying Advanced TV Advertising* According to US Senior-Level Agency and Marketing Professionals, July 2015

% of respondents



Note: *includes addressable targeting, interactive TV, etc.
Source: Interactive Advertising Bureau (IAB), "Advanced TV: Ad Buyer Perceptions" conducted by Advertiser Perceptions and sponsored by Samsung and AT&T AdWorks, Oct 8, 2015

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Dave Morgan, CEO and president of Simulmedia, a marketing technology company that sells advanced target TV inventory, believes that the industry is now busy putting more sophisticated targeting systems into place, but it is just starting to do the work required to measure the outcomes.

Historically, measuring and reporting ad results have been the purview of advertisers and their agency partners, but TV networks are now working more directly with advertisers to gauge the impact of the ads that run on their properties. In most of these cases, advertisers will turn over evaluation, execution and stewardship duties to their media agencies after initial contact with the TV networks. But the networks are now demonstrating a deeper understanding of how to drive advertising results, which ought to earn them more attention from marketers.

Marketers must also decide whether advanced TV targeting is always appropriate for their brands and their goals. Jane Clarke, CEO and managing director of the Coalition for Innovative Media Measurement (CIMM), said creating consumer targets that are too narrow in scope could actually result in missed opportunities to advertise to viewers who may be lighter brand users or new to a product category. Deploying this type of pinpoint precision will likely be more of an issue as TV becomes more addressable.

There is mounting evidence that the attention to the usage of advanced TV targeting and measuring business outcomes will likely accelerate:

- TV networks have implemented data overlays on top of their viewing data to provide advertisers with richer, more precise targeting information.
- Marketers are combining their own first-party customer data as well as information from third-party firms with TV audiences to provide insights into how well their TV buys are working. "Bring your own data" has become a familiar theme for including first-party data during the advanced targeting process.
- Interest in addressable TV has accelerated as data is combined with sales results to provide strong evidence that microtargeting makes TV advertising work harder.
- On the digital front, Google and Facebook possess detailed information about US consumers, and they use it for targeting and reporting on the effectiveness of advertising and search within their owned walled gardens. In response, the TV networks have started to follow a similar path.

TARGETING TODAY: NETWORK OFFERINGS SUPPLEMENT MEDIA AGENCY CAPABILITIES

Turner Broadcasting System has arguably been the most aggressive in rolling advanced TV products so far, though other networks are rapidly picking up the pace. Turner's Ignite suite includes branded integrations, social TV, as well as metrics based on audience and return on investment (ROI). NBCUniversal's targeting solutions, meanwhile, tap parent company Comcast's set-top box data matched with consumer purchases. Additionally, Viacom Vantage and ABC's Unified Insights offerings are also rooted in more granular set-top box data sources. During the past year, all of these TV networks have indicated that demand for their advanced targeting products is increasing, as some of the larger advertiser clients are furnishing their own first-party customer and sales data.

While TV networks' advanced TV targeting development is moving briskly, major media agency holding companies like GroupM, Publicis and Omnicom Media Group have developed their own blueprints for combining TV ratings with consumer transactions. It remains to be seen how pervasive TV network advanced targeting metrics will be used as a basis for secondary target audience guarantees, given media agencies' investment in these proprietary tools and systems. Lyle Schwartz, president of GroupM Investment in North America, maintains that his agency network will continue to use standard age/gender metrics for audience guarantees while using GroupM internal data for selecting the networks, dayparts and programs that best deliver client consumer targets.

IMPLEMENTING ADVANCED TARGETING: INFRASTRUCTURE, INVENTORY AND RISK MITIGATION

Most of the experts who spoke with eMarketer felt that achieving meaningful transactional scale for secondary targeting across all TV network groups is still two to three years away; it will likely take much longer for it to eclipse the current age/gender primary currency. The leading data-driven TV networks are expected to make secondary advanced target guarantees on as much as 10% to 15% of their TV inventory during the 2017–2018 television season.

Three core aspects of the TV commercial transaction business will directly affect the industry's adoption rate of secondary targets: infrastructure improvements, flexible audience measurement standards and mitigating the risk to TV networks.

INFRASTRUCTURE IMPROVEMENTS

"There's no technical or procedural limitation that prevents the television industry from evolving to a more measurable, accountable dynamic market like digital," said Simulmedia's Morgan. But getting there will still take some time, with the transition characterized by massive overhauls or replacement of transactional systems and processes.

Introducing secondary target overlays typically means processing and integrating demographic or transactional data from multiple sources with TV viewing data. These overlays may be hundreds of times more granular than traditional systems are accustomed to handling. "Now that we have more information, it's time for the systems to catch up to that, so that we can process this more specific information and start delivering more accurate audience forecasts," said Denise Colella, senior vice president of advanced advertising products and strategy at NBCUniversal. And as the new systems roll out, they will need to be pressure tested and run in parallel with legacy software before they can operate on their own.

Programmatic software is one way of processing secondary TV target transactions, mainly because of the ability to ingest data from multiple sources to overlay targeting descriptors on TV audience data. Since real-time bidding (RTB) on TV inventory won't be in the cards for years, the focus of most TV transactional software development is on streamlining the process to accommodate advanced targets.

"At the end of the day, TV programming will be purchased in a way that is aligned to an audience," said Tyler Hampton, director of product marketing at Turn, which operates both a data management platform (DMP) and a demand-side platform (DSP). The inventory purchased will be "well-informed, because in theory there is more data to prove that [TV show] 'Modern Family' is the right place for my TV ad, for example," he added. This type of analysis already takes place in an "analog" fashion with syndicated research such as GfK MRI and Nielsen's Prizm segmentation in traditional TV buying. So, further improvements in targeting precision will depend largely on the quality and depth of targeting data sources being applied to TV viewing metrics.

Currently, most advanced TV target deals are done as one-offs, in which the buyer and seller agree on third-party consumer and TV data sources and the networks pass on campaign results to media agencies who then steward audience delivery performance.

In order for the volume of advanced TV buys to scale up, this approach will likely need to become more automated, with networks regularly offering targeted audience segment inventory to DSPs or media agency trading desks. Jes Santoro, senior vice president of programmatic and advanced TV sales at TubeMogul, said that there has been a "dramatic shift in sellers' willingness and sophistication to start opening up more inventory." He said that over 50 national TV networks now allow TubeMogul advertiser and agency clients to look at their inventory with more granular targeting.

On the sell side, TV networks are focused on learning how advanced targeting will help them optimize the yield on their ad inventory. They hope that providing more descriptive data about their audiences will better demonstrate value for each parcel of commercial inventory; for instance, one commercial slot might be more valuable for a body wash marketer than a luxury auto advertiser, but that may not have been clear without secondary targeting data.

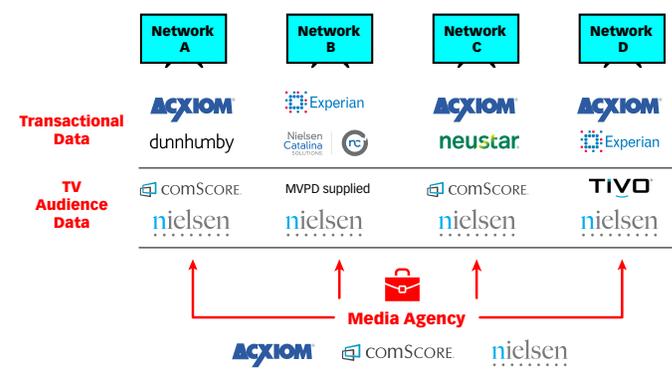
FLEXIBLE AUDIENCE MEASUREMENT STANDARDS

Secondary targeting brings with it the hope that TV ads will come closer to achieving desired outcomes rather than simply delivering audiences. However, it also comes with a great deal of complexity, and that includes questions about the quality and accuracy of the reported target data, derived from an ever-expanding number of sources.

TV network groups, especially the larger ones, subscribe to myriad data sources to develop their advanced TV target offerings. For the most part, these sources are what advertisers use to monitor consumer transactions, under the assumption that past purchase behavior is a reliable predictor of future transactions. While this smorgasbord of data allows advanced targets to be created, the select roster of data sources also means that measurement and reporting usually takes place in relative isolation from other sources.

This is nothing new for digital advertising, but bringing it to TV could be disruptive, at least at first. For example, Network A's menu of sources is likely to be different from Network B's, requiring media agencies to translate these multiple sources in order to measure results across a client's entire TV investment allocation.

Advanced TV Targets: Sorting Through Data Options



We can see how these multiple data sources will make transacting on advanced targeting a complicated business by drilling down into three key areas:

- TV viewing data.** This can come from comScore-Rentrak, Nielsen, TiVo or directly from a multichannel video programming distributor (MVPD) such as Comcast, whose data is used by NBCUniversal. Whatever the source, the reported viewing numbers will vary due to differences in data collection techniques, metric definitions and geographic representation. For example, Nielsen measures individuals, while comScore-Rentrak collects and reports household data. Further, MVPD numbers may be skewed due to the service regions and markets where the bulk of their customers reside. For example, a football game between two teams based in the Pacific or the Western regional market may attract smaller audiences within an MVPD whose customers live mainly in the Northeast. And viewing data is now being collected directly from smart TV sets and made available by companies like Samba TV, which offers an alternative to data originating from set-top boxes.
- Transactional information.** Acxiom, Experian, Datalogix, Nielsen Catalina Solutions sell consumer transaction data that comes mainly from credit and loyalty cards. Naturally, there are variations in the amount of the total consumer transactions represented by any given data firm. This might be affected by the sources available (credit, in-store sales, scanners) and overall category coverage (some firms are better at tracking automotive sales than they are personal care products, for example).
- Target segment descriptions.** Each product category will likely spawn scores of consumer descriptions, leading to a corresponding explosion in the number of potential secondary advertising targets. To streamline the targeting process, TV networks may start offering a static menu of available target segments based on product consumption; for instance, one group might be purchasers of four or more salad dressing bottles during the past month. It's not always clear whether these segments will be consistent across networks, both in their definition and in the transactional sources they come from.

Transparency and Data Standards

By blending together product consumer and viewing data, TV networks are creating their own advanced TV target audience metrics. Because this same data would be the source for monitoring campaign audience delivery of those secondary targets, there's potential for conflict of interest, since in effect the TV networks would be grading their own homework.

There's a similar issue with Facebook and Google, both of which have targeting solutions that use their own audience estimates for planning and post evaluation of campaigns. During the past year, both firms contracted with third-party verification firms such as Moat, a company whose ad viewability technique is accredited by the Media Rating Council (MRC), an advertising industry organization that audits the methodology of audience measurement products.

The importance of data transparency and third-party verification topped the list of criteria for selecting ad tech partners, according to an August 2016 study by Flashtalking, an ad-serving, tracking and technology company. Nearly three-fifths of the US senior agency and brand buyers said data transparency and access were "very important," and nearly half said the same about third-party inventory validation.

Importance of Select Criteria When Recommending Ad Technologies to Clients According to US Senior Agency and Brand Buyers, Aug 2016

% of respondents

	1 Very important	2 Important	3 Neither important nor unimportant	4 Not important
			1	2
			3	4
Data transparency and access (e.g., available at a user level and impression level)	58%	37%	5%	0%
Exclusive ownership of campaign data (e.g., fully portable data, no pooled or shared by provider)	48%	37%	13%	2%
Unbiased, third-party inventory validation (e.g., impressions, viewability, brand safety, fraud)	47%	43%	9%	1%
An independent attribution platform (from media buying and inventory sources)	29%	50%	18%	3%
My agency's recommendation	28%	43%	17%	12%
Existing relationships (e.g., MSAs or corporate partnerships)	20%	47%	30%	3%
Having an integrated demand-side platform (DSP) and ad server	19%	47%	31%	3%
Having an independent DSP and ad server	11%	46%	40%	3%

Note: while managing digital media campaigns Source: Flashtalking, "Confined by the Garden Walls: Disconnects between advertisers' desire for data ownership and portability and the need for scale," Sep 20, 2016

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TV networks will likely be open about the data sources and processes for creating and reporting their secondary target audience estimates, since advertisers and media agencies are likely to be familiar with them. However, it is important for them to be mindful of potential differences in the timeliness and quality of these data sources, especially when it comes to using them to plan and invest media dollars and then track performance.

Standardizing data sources across all media firms and publishers would surely make it easier for advertisers and their media agencies to evaluate TV network targeting offerings. However, it's not likely to happen in the near term.

First, industry groups or associations engaged in setting up data quality standards, processes, disclosure and otherwise organizing the rollout of advanced TV targeting, are only in the early stages of development. The most notable of such groups is the IAB's Advanced TV Committee, which includes CIMM. In any case, imposing such standards at this point might still be premature.

Second, third-party transactional and TV data firms are in the throes of a land grab for TV industry business, each trying to meet the requirements of a marketplace that hungers for innovation. Although alternative or secondary currencies are rapidly gaining favor, Nielsen age/gender metrics will likely remain the primary TV audience benchmark for commercial transactions for at least the next few years. "I think the reality is that over the next two to three years, we might start to clarify the measurements, [though] I still think that we're going to be living in a multicurrency world," NBCUniversal's Colella said.

Mitigating the Risk to TV Networks

As mentioned earlier, TV networks have historically guaranteed audiences based on age and gender targets. Maintaining that viewing benchmark reduces the risk of failing to deliver that audience, and also makes it likely that TV networks will be cautious about guaranteeing secondary target transactions.

Guaranteeing secondary target audiences grounded in product usage like purchasers of four or more salad dressing bottles, for example, will likely introduce more risk, because networks will have to manage an increasing number of targets, and also have to adjust audience data according to potential shifts in consumer behavior over time.

Under this scenario, guarantees may need to reflect hundreds of category-specific audiences, such as salad dressing purchasers or luxury imported car buyers. Networks would have to create future audience estimates that reflect expected changes in TV viewing and product or service usage during a forward-looking six- to 18-month window.

To that end, Turner has created the Competitive Audience Estimation (CAE) system, which forecasts TV program viewership based on consumer and TV viewing data. According to Dan Aversano, Turner's senior vice president of ad innovation and programmatic solutions, the system can forecast TV audiences based on data specified by advertiser and media agency clients. Its audience projections can even pinpoint half-hours of viewing on a daily basis. "CAE will tell us at 3pm tomorrow there will be 200,000 sparkling water drinkers watching a program on TBS, based on Nielsen Catalina Solutions sales data combined with Nielsen TV ratings," he said. "And that number is different at 3:30, it's different at 4pm, it's different next week at 4pm."

The guts of CAE are rooted in a market research segmentation approach known as "consumer choice modeling," which is used to better understand which products or services consumers would choose when deciding among a competitive set of offerings. This technique is applied to TV shows by providing an indication of what content viewers will likely watch given the range of program genre options available to them during specific times of day and day of week. The program choice outcomes are based on thousands of observations of actual TV viewing scenarios.

Turner and advertiser clients establish audience guarantees based on the size of the consumer target and the expected statistical swing in the consumption and TV viewing data levels. Audience delivery for larger target segments, such as adult medium-to-heavy coffee drinkers, could be within 5% of the goal, while the guarantee window for a smaller target like premium-latte drinkers might be 10% or more.

TV AND DIGITAL: 'SWITCHING FACES'

In recent years, digital media's practice of offering TV-like guarantees on age/gender audience delivery has gained substantial traction in the advertising marketplace. TV networks are beginning to move toward selling their own ads based on these more advanced digital metrics.

GETTING MEASUREMENT RIGHT

The ultimate goal of cross-media audience measurement is to produce an apples-to-apples count of people across TV, digital, print and other channels so marketers can make more accurate decisions on how to allocate advertising dollars. Several years ago, the digital industry began to harmonize its metrics with TV by reporting and guaranteeing on age/gender audiences.

As a result, both comScore and Nielsen created campaign-specific audience measurement products that report delivery of age/gender digital impressions and gross rating points (GRPs) used by both buyer and seller for reporting campaign audiences.

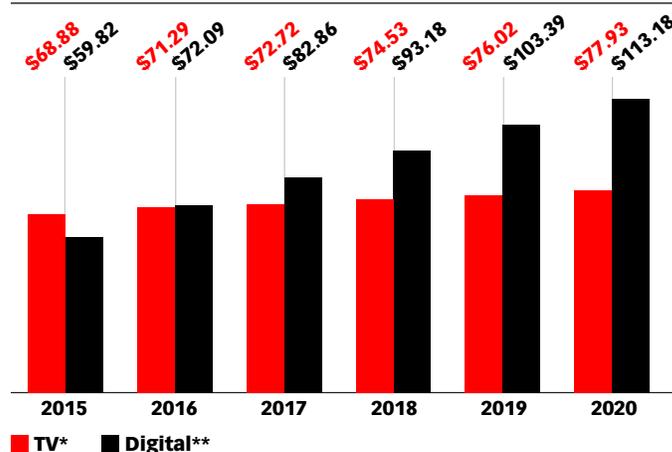
The practice of digital age/gender audience guarantees is going strong today, according to digital ratings firms that provide benchmark audience measurement for ad campaigns. Josh Chasin, chief research officer at comScore, said digital buys based on age and gender are pervasive, based on the campaigns measured by his company.

"What we have seen is that using digital ad ratings to measure digital ad campaigns on an age/gender basis has been growing over the past few years," added Eric Solomon, senior vice president at Nielsen Product Leadership.

Now, TV networks are supplementing age/gender audience guarantees with data-driven advanced targeting metrics that are more akin to the complex consumer segments sold in the digital space. "Oddly enough, I've seen the digital marketplace buying and selling its gender demos; and the TV marketplace, moving into what we call 'advanced demographics.' So it's almost like they're switching faces," comScore's Chasin said. Both advertising channels are now neck-and-neck in media spend, together accounting for a 76% share of the average media budget in 2016, according to media agency Magna Global.

eMarketer spending estimates are similar, pegging both digital and TV spending at roughly \$71.5 billion in 2016. Digital spend is expected to outpace TV ad dollars in 2017, with this gap widening during the years leading to 2020.

US TV* vs. Digital Ad Spending, 2015-2020**
billions



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Source: eMarketer, Sep 2016

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More advanced targeting TV offerings may help attract the attention of more digitally savvy advertisers and media buyers. Simulmedia's Morgan mentioned new ad dollars being spent on TV from companies like Machine Zone, which promoted its Game of War mobile game with TV commercials. "Very sophisticated new entrants are going to come in and they're going to buy TV and keep their cards close to their vest as to what targeting methodologies they're using," he said.

Speaking from a media agency perspective, Turn's Hampton feels that digital buyers focused on securing video inventory will be attracted to the data-driven nature of secondary-target linear TV ads, such as those that Viacom is offering.

KNITTING TIGHTER TV AND DIGITAL LINKS

A rise in data-driven TV targeting could also mean more precise targeting across TV and digital. Such integrations could potentially strike the right balance between ad exposure and targeting precision. For example, TV advertising targeted to primetime reality-show viewers could be amplified by targeting these same types of consumers via digital video, as well as desktop and display ads.

One of the goals of NBCU's Audience Studio targeting platform is coordinated targeting across TV and digital channels. This effort, still in its planning stages, requires testing and set up to measure cross media attribution. Meanwhile, Turner is engaged in a similar initiative, with plans for a platform focused on the ability to have common segment definitions from screen to screen. The aim, according to Aversano, is "to define and find those TV viewer targets within our social footprints or on Facebook and YouTube and Instagram, and then as well as in our digital footprint, both display and video."

The prospect of TV networks offering cross-media tools is a step in the right direction, but further cross-platform development will likely proceed at a deliberate pace. Several obstacles remain:

- **Media agency evaluation.** As with advanced TV targets, media agencies will need to evaluate cross-media offerings across different TV networks and determine how closely they align with their own TV and digital planning systems, which will include a look at acceptable data sources.
- **Media budget synchronization.** Media agencies have more closely integrated TV and digital planning and buying in recent years. However, silos still remain, and this poses a challenge for coordinating TV and digital, especially when the TV networks offer digital inventory tied exclusively to their own properties.

- **Target standardization.** Targeting across screens is more effective when an advertiser is trying to reach similar consumer segments. But advertisers often deploy different targets for TV and digital. For example, a life insurance company may use TV as a primary way to target parents with teens with specific messaging while using social media or other digital channels to communicate with millennials.
- **System development.** Building out cross-platform systems will likely require both internal and external resources that possess special skill sets.

For media agencies, the points of contention still come down to judging the value of data from different sources, and third-party verification of methods and processes for integrating and reporting cross-media audiences. Advertisers and their media agencies must take a holistic view of the entire range of media offerings and then decide how much to allocate to each option.

EMARKETER INTERVIEWS



Dan Aversano
Senior Vice President, Ad Innovation and
Programmatic Solutions
Turner Broadcasting System

Interview conducted on November 3, 2016



Josh Chasin
Chief Research Officer
comScore

Interview conducted on October 24, 2016



Jane Clarke
CEO and Managing Director
**Coalition of Innovative Media Measurement
(CIMM)**

Interview conducted on November 29, 2016



Denise Colella
Senior Vice President, Strategy and Development
NBCUniversal

Interview conducted on October 11, 2016



Stephano Kim
Executive Vice President,
Digital Strategy and Operations
Turner Broadcasting System

Interview conducted on November 3, 2016



Bill Livek
Executive Vice Chairman and President
comScore

Interview conducted on October 12, 2016



Dave Morgan
CEO
Simulmedia

Interview conducted on October 6, 2016



Jes Santoro
Senior Vice President,
Programmatic and Advanced TV Sales
TubeMogul Inc.

Interview conducted on October 27, 2016



Lyle Schwartz
President, Investments, North America
GroupM

Interview conducted on November 23, 2016



Eric Solomon
Senior Vice President, Nielsen Product Leadership
Nielsen

Interview conducted on October 25, 2016

Tyler Hampton

Director, Product Marketing

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Interview conducted on October 7, 2016

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