



# 2019 Video Advertising Trends

*Predictions for OTT, traditional TV, online video, data activation, and transparency*



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## Preparing for change in 2019

2018 was a record-breaking year for digital video and TV advertising with another huge year-over-year increase in spend.

Global total media ad spend was estimated at \$628.63 billion in 2018 — with digital accounting for 43.5 percent of investments — including growth in all ad formats (McNair).

One driver of the ad spend increase was the growth of over-the-top (OTT) and connected TV (CTV) specifically, which included an increase in audience size and amount of inventory available for advertisers. Additionally, audience targeting has improved, meaning better quality ad experiences are being offered on CTV for consumers.

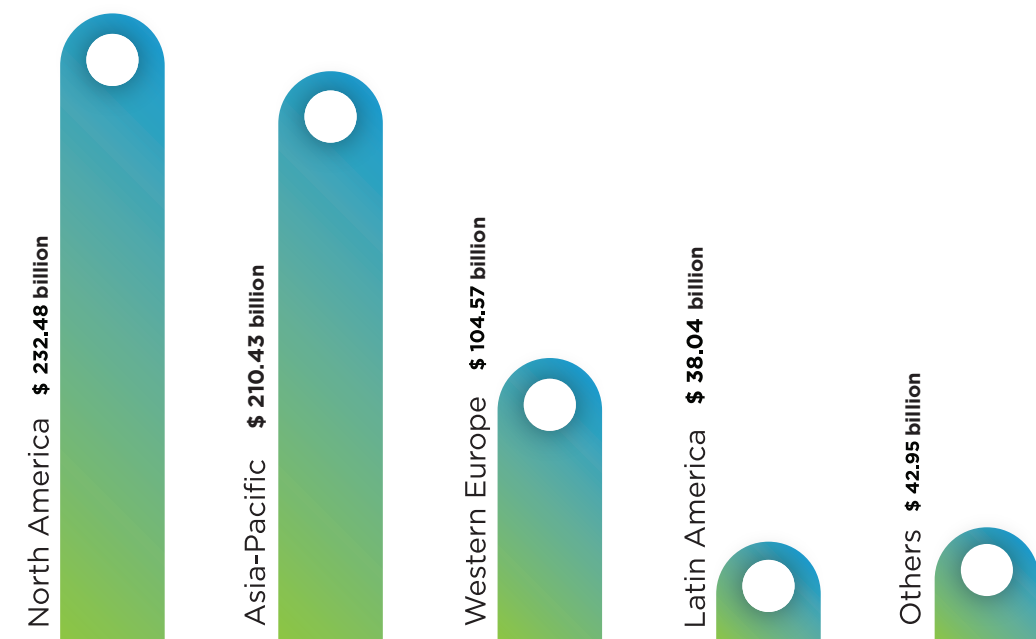
The number of connected TVs globally increased 38.4 percent in the past few years from 486.7 million in 2015 to 673.4 million in 2017, with estimates that hit 759.3 million at the end of 2018 (Statista, Number of connected TV sets worldwide).

With more advertising opportunities available and more ads being delivered to consumers than ever before, 2018 came with a lot of change throughout the advertising supply chain.

While media owners dealt with things like attempting to work out the kinks of OTT live event advertising and effectively leveraging data to increase inventory value, brands dealt with changing consumer expectations of ad experiences and reaching their target audiences in increasingly private marketplaces — and everyone continued to adjust to new regulation.

If you look hard enough, all of these changes and developments in the advertising ecosystem in 2018 give us a lot of insight regarding what's to come in 2019 — including new offerings from OTT providers, a transformation of traditional TV, new technology innovations focused on data activation, and increased transparency efforts throughout the supply chain.

## Estimated ad spend in 2018 by region



Source: McNair

TREND 1

**New offerings  
will come in  
to play for  
OTT video  
services**

## Global consumer viewing habits drive OTT innovation

In 2018, consumer behaviors around the world continued to drive OTT video growth. Online video continues to gain global popularity, but each of the global markets are in varying stages of adoption.

Recent research found that the global average weekly viewing time of online video increased one hour in just the last year to 6.75 hours — while viewers in the Philippines, India, and the U.S. already exceed 8.33 hours per week

due to the prevalence of mobile devices in these markets (Limelight Networks).

The U.S. remains a leader in CTV and OTT adoption — accounting for over half of all global OTT viewing time — and it is not expected for the growth of OTT subscribers or their time spent viewing OTT content to slow down anytime soon (Lafayette, Global OTT Streaming Video Viewing Doubled).

According to a recent IAB study, 73 percent of U.S. adults 18+ who typically watch streaming OTT video stated that they watch ad-supported OTT video (IAB Video Center of Excellence). Therefore, it is imperative for advertisers to match the elevated experience of OTT content.

There is definite OTT growth, however, in many European countries. For example, the Dutch TV and video market grew 7.2 percent in 2018 with the share of traditional TV providers starting to decline (Broadband TV News).

Therefore, while many in the U.S. are cutting out traditional TV completely due to high monthly costs, EU markets are “stacking” TV services and have adopted Netflix, Amazon Prime, and more local players like Zattoo, Waipu, and CanalPlay.

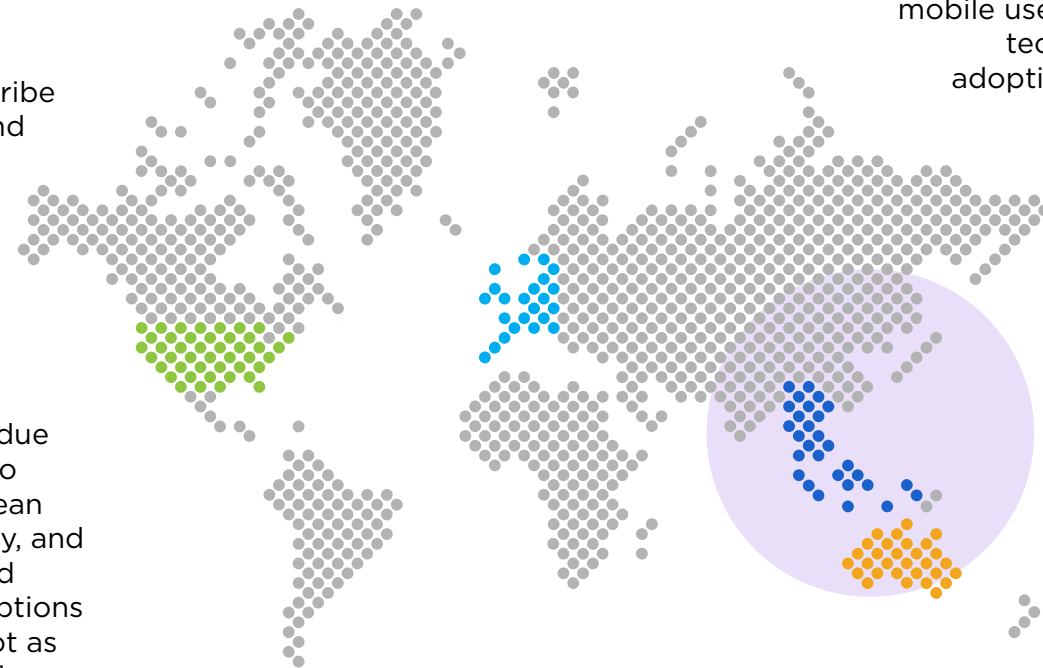
So while the OTT opportunity varies by market, consumers are hungry for new, premium content and are watching video more than ever before.

### United States

U.S. consumers view OTT content through a variety of connected devices and an increasing portion of the audience is now cordless — meaning they do not subscribe to any traditional pay TV service. In this market, OTT and CTV is quickly becoming the popular medium through which to reach millennials and other cord-cutting audiences alike for advertisers.

### Western Europe

In Western Europe, adoption varies greatly by country due to the difference in traditional pay television offerings to each country’s consumers, but about two-thirds European countries, including the UK, Denmark, Sweden, Germany, and Norway, have TV license fees or indirect charges to fund public TV — rather than funding public TV with subscriptions or advertising (Masters). This model of funding TV is not as common in other regions, such as Africa and Asia, and is completely nonexistent in North America.



### Southeast Asia

The Southeast Asian market is emerging with a high prevalence of linear broadcast in OTT environments and a large emphasis on mobile use. Japan and Korea, however, have very established ad tech markets but have been slower than other regions in adopting OTT — although OTT growth is forecasted to grow much quicker in these countries in 2019.

### Australia

In Australia, free-to-air (FTA) broadcasters Seven and Nine have a very sophisticated OTT offering using login first-party data and various third-party data partnerships to build new segments for addressability across FTA and video on demand (VOD).

### Asia-Pacific

Recent research has found that the Asia-Pacific (APAC) region as a whole will have approximately 200 million individual subscribers of OTT video services by 2021 (ReTHINK Research).

## Better ad experiences for consumers

It's no surprise that many people really don't like seeing ads. This is especially true if the ads significantly disrupt the user experience. While ad blocking is not really an issue on CTVs, learnings from web indicate that the ad experience has a strong impact on the overall user experience.

As such, ads still need to run seamlessly. The proliferation of free CTV apps means that consumers have options now. If a viewer's app experience is characterized by ads constantly buffering or the same ad playing repeatedly, they'll probably find a new app.

This is where technologies like server-side ad insertion (SSAI) come into play. While SSAI doesn't save viewers from bad internet connections, it does allow for the seamless insertion of ads directly into a stream to create a smoother, linear-quality ad experience.

Increasingly, ad tech companies are beginning to discover new methods of identity management while respecting consumer privacy to enhance the overall ad experience. Ideally, this would make advertising more palatable to consumers by helping ensure ads are relevant to the viewer without misusing their personal data.

For years, CTVs have been steadily transforming the content consumption landscape, and this trend shows no signs of slowing down. Accordingly, similar to how programmatic display took and continues to take a bigger piece of the pie from traditionally sold web inventory, we expect that programmatic CTV spend will also skyrocket as it continues to scale into an increasingly valuable ad channel.

Increased real-time bidding for CTV would mean that ads can then be tailored to specific audience segments due to more scalable, powerful retargeting options for advertisers, resulting in more relevant advertisements for the consumer.

The connected device landscape is highly fragmented with hundreds of device options for consumers globally, including various smart television providers, gaming consoles, smartphones, computers, and multimedia devices — each with a different ad inventory set-up.

With so many types of screens available and so many people consuming OTT content, it can be difficult for media owners to consistently provide high-quality and personalized ad experiences — all while boosting ad value for buyers. Luckily for OTT media owners and TV providers, many of the challenges from live and linear television have been worked out for OTT, translating in elevated user experiences in live, linear, and video-on-demand OTT content.

## Targeting continues to improve for advertisers

Also improving the ad experience for consumers is data. Advertisers are gaining access to more data that helps serve consumers highly personalized, relevant ads and ensure their ads experience the highest returns possible.

While online video can be played on a multitude of devices, ranges from short- to long-form content, and has a low barrier to entry, CTV is different. CTV is a cookieless environment, and that limits targeting capabilities.

Advertisers need to understand that, compared to online video, the data strategy surrounding CTV is still scaling — which limits current audience matching — but that is set to improve in 2019 and beyond. Therefore, adding multiple audience segments to a targeting strategy will likely result in losing scale for CTV campaigns.

CTV targeting capabilities are similar to mobile (cookie-less) but the platform and user experience are most similar to linear TV; therefore, advertisers should have a similar strategy as linear TV. A new expectation of “targeting and scalability” needs to be kept in mind when crafting an advertising strategy for CTV — one that is ultimately less restrictive than online video.

CTV is still a comparatively new medium with new and hybrid buying strategies. It's cookieless and app-based like mobile, but buying based on app bundles isn't always sufficient. The buying strategies are based on robust audience segments, and we expect buying based on content to be more prevalent — similar to linear TV buys.

Targeting in CTV environments today is heavily focused on buying and selling based on

audience because the partners in the space — broadcasters, programmers, operators and pay-tv providers — have a large amount of data on their users that they want to activate to increase the value of their inventory.

Audience-based buying has always been relevant, but today it's much more prevalent because of the players in the space and the quality data they possess. In fact, a 2018 study found that 85 percent of respondents believe that leveraging third-party data was a strong driver for the adoption of audience-based buying and selling of ads (SpotX).

In the near future, there will be increased buying and selling that mimics the way advertisers buy linear TV inventory.



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## Continuing the evolution of OTT

The growth of OTT in the U.S. is in part due to cord-cutters and cord-nevers — those who have either had a pay TV subscription and cancelled or never had a pay TV subscription — which now account for 34 percent of U.S. TV viewers (Engleson).

Many in the U.S. who still have a pay TV subscription, however, are also stacking services and streaming OTT content as well. In international markets, such as the UK and Germany, they are also stacking services, driven by the premium OTT content they want to see.

Additionally, an increase in the popularity of virtual multichannel video programming distributors (MVPDs) has been a growth area for OTT. With approximately half of the U.S. population consuming OTT content, we expect OTT viewership to continue trending upwards as the TV landscape becomes even more competitive, including new offerings launched in 2018 — Hulu Live and YouTube TV — which have yet to show their impact.

Dutch consumers also rely primarily on subscription services for TV and video. In the Netherlands, in fact, Netflix alone accounts for 12 percent of consumers revenues for TV and video (Broadband TV News).

In other markets like Asia, the drivers for growth of OTT are different — with users signing up for the free 1-month trial for Netflix, iflix, Hulu, and the like. These consumers — like many around the world — are trialing the subscription VOD models but are switching to advertising VOD models opting for ads over paying for a subscription.

Heading into 2019 and beyond, broadcasters will need to evolve their OTT services for the needs and preferences of the audience in order to become more competitive at a global level.

With so many countries outside of the U.S. having either “free,” taxpayer-funded, or low-cost TV options, broadcasters will need to provide higher value in their content offerings.

The global OTT opportunity continues to grow, and the investment in and development of local language content will be the key to global growth for any OTT platform. With 55 percent of its subscribers outside of the U.S., Netflix already invested between \$12 and \$13 billion in 2018 on original content — and that investment will continue to grow in the coming years (Feldman).

Premium TV and OTT content created in the U.S. is often watched in other global regions; however, consumers expect an easy viewing experience — void of disruptive subtitles to read throughout long-form content.

In 2018, the industry also saw France’s top three broadcasters — France Télévisions, M6, and TF1 — announce that they will band together to create a new streaming service. The SALTO OTT platform will showcase content from the French and European creative industries, including sports, news, documentaries, movies, and more. The industry will likely see more development of this and other OTT streaming services globally in 2019.

Additionally, more live sports event broadcasting will be streamed via OTT platforms. Some OTT providers have already begun streaming live sports; however, the offerings are often very limited with only select watchable games.

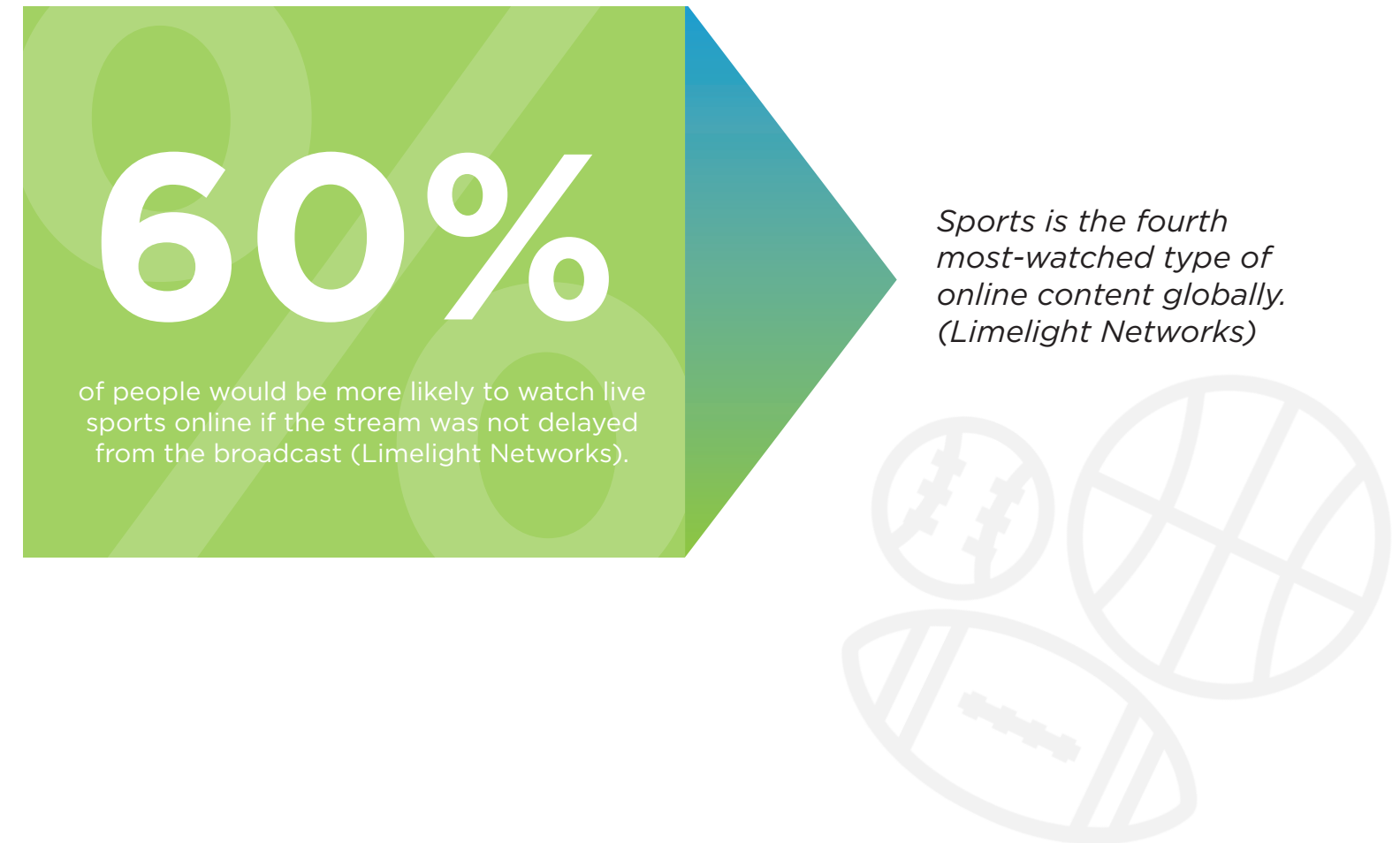
As the number of cord-cutters and cord-shavers continually increases in the U.S., OTT sports broadcasting will become a large value-add.

According to a recent study, sports is the fourth most-watched type of online content globally and nearly 60 percent of people would be more likely to watch live sports online if the stream was not delayed from the broadcast (Limelight Networks).

With such a large, captive audience, it is clear that the demand for more holistic live sports broadcasting via OTT streaming is there, and OTT providers must deliver in order to be competitive.

Viewers switching from traditional linear television delivery services expect nothing less than the smooth, high-quality experience they have come to expect from other digital media and traditional TV. Until recently, that experience has been hard to duplicate online.

With the influx of global OTT viewers from all generations in the past few years, it is imperative for advertisers to invest in this channel for the purposes of reach, more granular targeting than TV, and the added benefit of data to serve targeted ads to audiences.



TREND 2

**Traditional TV  
will continue to  
transform for  
today's digital  
landscape**

## The future of pay TV isn't as grim as some data suggests

Traditional pay TV providers in the U.S. have seen losses in subscribers each quarter for a couple of years now due to the consumer shift to less expensive options for TV and other long-form programming, such as Netflix, Sling TV, and fuboTV.

This growth has been in part due to an increase in “cord cutters,” a growing number of people who have cancelled their pay TV subscription for other options that offer premium content. The outlook for pay TV providers (MVPDs), however, is not grim as some of the data and trends might suggest.

Pay TV providers still capture 4 hours and 46 minutes of U.S. adults' TV time (live and time shifted) per day, compared to 46 minutes spent watching long-form content on CTV devices (Nielsen). Additionally, from a pure revenue standpoint, MVPDs will offset subscriber losses and increase net revenues by raising subscription costs to consumers by a few dollars per month per subscription.

According to 2018 research, 67 percent of people globally have watched live streaming video on any device —

with the Middle East and North Africa (MENA) region leading the pack at 90 percent and APAC next at 70 percent (Sruoginis).

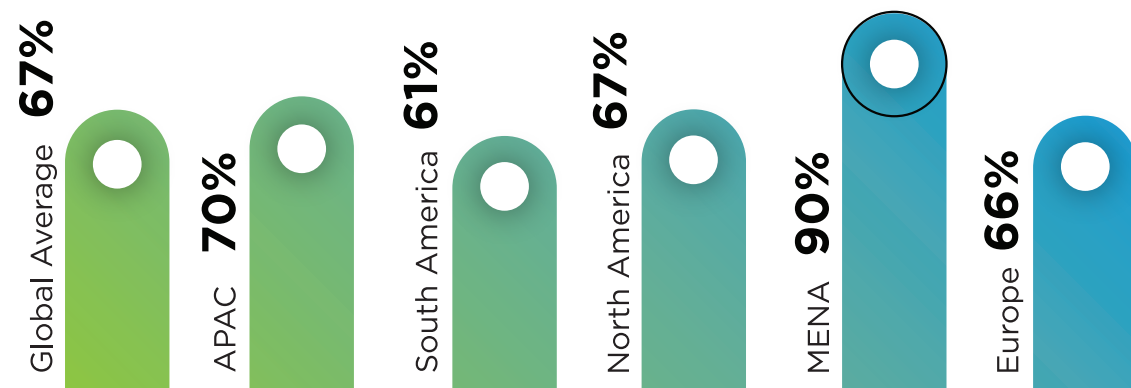
While OTT is slowly eating away at traditional TV platforms, MVPDs also benefit directly from this shift. MVPDs are also OTT providers in the sense that they allow their content to be delivered over the internet through their own mobile apps, websites, and connected TV apps. Additionally, MVPDs and pay TV providers have invested in popular third-party platforms to get in on the rising OTT opportunity.

For example:

- DISH owns Sling TV
- Hulu is owned by Comcast, The Walt Disney Company, and AT&T
- Philo is partly backed by A&E Networks, Discovery Inc., AMC Networks, and Viacom
- fuboTV investors include AMC Networks, 21st Century Fox, Sky, and Discovery Inc.

As such, the outlook for traditional TV players is not grim at all — rather, a turning point in the ways users are consuming programming.

### Percentage of people who have watched live streaming video on any device by region



Source: Sruoginis

## Live advertising and the convergence of traditional TV and OTT

With the growth in OTT, one subset of inventory that challenged traditional TV providers in 2018 was live TV, such as sports and news programming. As people have started to stream more live content, technology investments have been made to support the viewing experience programmatically.

Given the popularity of live events, programmatic ad platforms have needed to evolve in order to address new challenges that have arisen around managing and yield optimizing live opportunities. Popular live events cause huge spikes in concurrent ad calls, where ad servers like SpotX receive millions of requests for ads at the same time. It's a big opportunity to monetize audiences, but it must be on the fly and instantaneously. Spikes like these have caused hiccups in forecasting and pacing related to campaign management. With additional investments in technology to pre-cache and space out ad calls, as well as improvements to processes around lining up demand in preparation of live events, live is more easily managed today.



## Data activation and privacy in the traditional TV landscape

Another 2018 challenge that will continue into 2019 and beyond is data activation in a secure manner. Network broadcasters are trying to move away from a one-to-many model to one-to-one targeting on a device- or household-level. This approach to segmenting audiences and activating data will allow for inventory to be sold at a higher price because it allows for more granular audience targeting.

From an advertiser standpoint, targeting precision helps eliminate waste and improves overall media effectiveness in theory.

Currently, some broadcasters can do one-to-one targeting with their “owned and operated” apps and websites but have challenges with accessing their inventory downstream to execute one-to-one targeting with partners such as MVPDs and virtual MVPDs.

On the flip side, programmers and network broadcasters would like to tap into the wealth of login data that MVPDs have and apply it to their ad buys a well. In 2019, we expect that strides will be made with activating data at scale with broadcasters and their distribution partners.



In addition to data, advertisers are also pushing media owners and broadcasters to evolve capabilities around managing ad breaks, which are instances where several ads are played back-to-back like traditional commercials. Brands are focused on storytelling as a means to draw an emotional connection with consumers — something they'd like to do through paid media. In the long run, brands could use different personas within the household to which they are advertising to tell the most relevant brand stories.

That all said, conversations around data application are incomplete without touching on user privacy and data security. Global companies that operate in Europe made huge investments in 2018 to comply with General Data Protection Regulation (GDPR), the strictest laws so far around user data to which the ad industry has been subjected to-date.

As European companies continue their efforts to comply with GDPR, they also must look ahead at the ePrivacy Directive that is to come in the next few years, which will mean increased data privacy laws for the region.

In the U.S., the California Consumer Privacy Act goes into effect January 1, 2020, which will require its own set of initiatives in order to demonstrate compliance and will affect more U.S. companies than GDPR did.

Another data concern that will carry over into 2019 is first-party data security. MVPDs and media owners with first-party data are on a mission to activate their data but also have concerns around data leakage and other strategies that undermine the value of their data. In 2018, Audience Lock from SpotX addressed some large platform users' needs to obfuscate data in a more robust way. We expect further adoption of data security products in 2019 to safeguard first-party data.

In countries like Australia, New Zealand, Germany, the UK, and Greece, the Hybrid Broadcast Broadband TV (HbbTV) standard has been heavily adopted in an effort to deliver free-to-air and Internet Protocol television services to consumers on a single device (i.e., connected TV, set-top box, etc.).

In the U.S., station groups like Sinclair Broadcasting Group and Turner Broadcasting are anticipating the launch of ATSC 3.0 2020 and will spend 2019 preparing for it both technically and operationally.

ATSC 3.0 is a new standard that will enable broadcasters to deliver IP-based video and addressable, data-rich advertising to local users — including those who access TV via an antenna. ATSC 3.0 will essentially bring more meta data to the mix, which is exciting for station groups who have historically had limited local traffic in many markets.

Both HbbTV 2.0 and ATSC 3.0 combine the interactivity of VOD with the high-quality viewing experience of traditional linear TV and make it possible for advertisers around the globe to execute addressable advertising more effectively. In 2019, the industry will likely see new technology — much like FreeviewPlus in Australia — come into play as a reaction to these new standards.

*Both HbbTV 2.0 and ATSC 3.0 combine the interactivity of VOD with the high-quality viewing experience of traditional linear TV and make it possible for advertisers around the globe to execute addressable advertising more effectively.*

## Ad sales in 2019 and beyond

2018 was a good year for U.S. station groups regarding ad sales, given that it was an election year. However, 2019 local ad revenues are forecasted to decline 4.9 percent because political dollars will recede before the onslaught of 2020 political dollars (Lafayette, Local TV Station Revenue Seen Growing 5.6%, BIA Says).

As digital and TV further converge in 2019, advertising sales executives will feel the pressure to identify means to package up the various kinds of TV inventory — live, linear, VOD, TV Everywhere, addressable, and OTT — and simplify things for buyers.

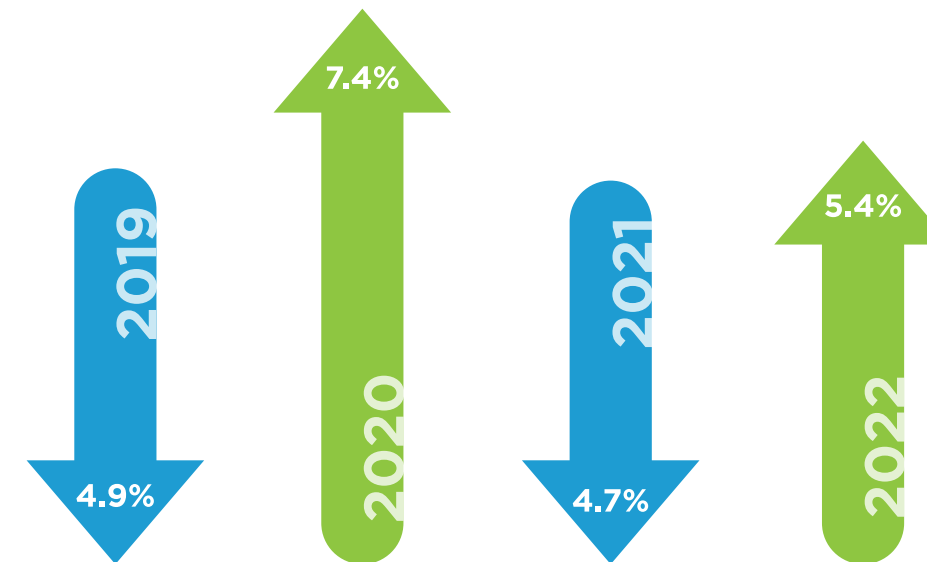
Traditionally, TV executives have sold upcoming events well in advanced during their “upfront” season in which they handshake with buyers to purchase advertising for their events and shows.

This has worked well in the past but is a point of differentiation as the digital landscape doesn't have the same upfront season.

Digital inventory is purchased on an ongoing basis — often monthly or quarterly — because historically, budgets are more fluid than TV.

Between these various TV sectors, there are currently stark differences between planning processes, forecasting engines, targeting abilities, systems to execute, and different measurement standards and best practices. We expect 2019 will bring some simplification to the ways TV is bought and sold.

### Local ad revenues forecast based on political spend



Source: Lafayette, Local TV Station Revenue Seen Growing 5.6%, BIA Says

TREND 3

**Shifting consumer expectations of ad experiences and personal data usage will drive innovations in ad transactions and delivery**

## Changes in consumer expectations of ad experiences

As the number of ads consumers are exposed to increases with every passing year, it is not surprising that people have begun to experience ad fatigue. On the flip side, NBCUniversal and Fox Broadcasting made announcements in 2018 that they intend to cut ad minutes in the name of user experience (Steinberg). However, they will need to find ways to offset this change so that they don't experience a large decrease in revenue.

While some advertisers do understand the value in having less commercials during programming (i.e., less commercials would allow consumers to remember ad messaging and brands better) broadcasters are seeking to increase the monetary value of ad spots.

For example, Fox began running "branded content pods" where an advertiser would purchase a longer ad spot in between TV shows that more closely mimics long-form content, rather than purchasing shorter ad spots that play intermittently during the show (Brancaccio).

It is likely that broadcasters globally will offer new types of ad inventory, similar to Fox, in 2019 for advertisers to increase the value despite the inventory being more expensive. To combat disruptive digital ads, the use of ad blockers has increased among internet users around the globe. As of February 2018, Greece leads the ad-blocking pack with over 40 percent of internet users leveraging ad blockers — with France close behind at 36

percent of internet users, the U.S. sitting at 27 percent, and Singapore at 26 percent (Statista, Adblocking penetration rate in selected countries worldwide as of February 2018).

In order to actually learn anything from these numbers, however, advertisers must work to understand why internet users are leveraging ad blockers. Top ad blocker usage reasons include consumers feeling that they are bombarded with too many ads and that the ads are intrusive.

In fact, one study found that 63 percent of respondents thought that most online ads today don't look professional and 56 percent believe the ads are insulting to their intelligence (An).

While this may sound like harsh feedback for advertisers, it demonstrates the importance of creating thoughtful, personalized ads and investing in technology that will get those ads in front of the right people. All in all, consumers expect the ads they see on all of their devices to be engaging,

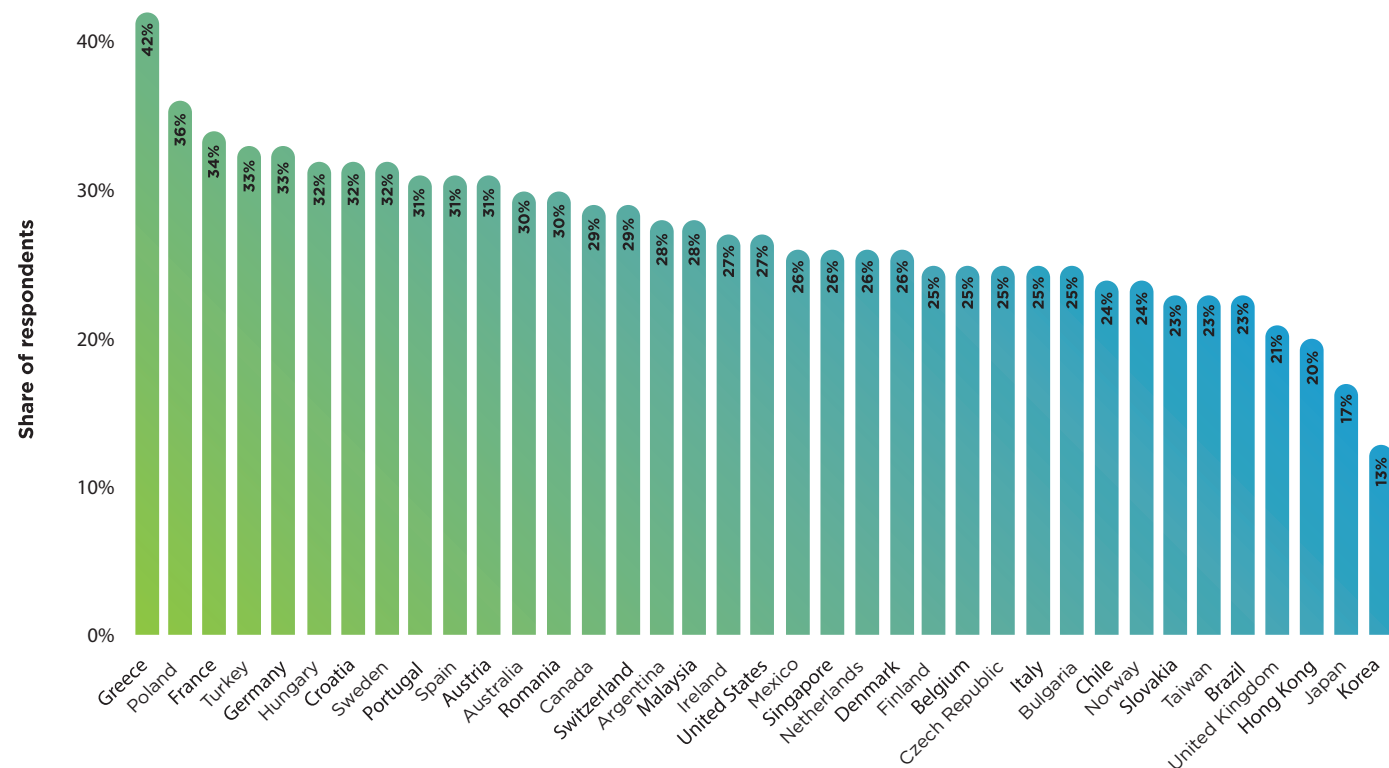
non-disruptive, and most importantly relevant. In order to entice consumers away from ad blockers, media owners and advertisers must live up to the these new expectations of ad experiences.

While advertisers of the past simply worked to get their ads in front of as many eyes as possible, modern advertisers have to be much more calculated and targeted in their efforts by running campaigns based on first-party customer data. As advertisers today are vying for consumer's attention and business, it's becoming increasingly clear that personalized ad experiences are the way to win.

According to a 2018 study, 80 percent of consumers are more likely to do business with a company if it offers a personalized experience (Epsilon).

In order to be truly successful in making ads personalized and relevant, advertisers need to harness the power of data that is available today.

Ad blocking usage by country



Source: Statista, Adblocking penetration rate in selected countries worldwide as of February 2018



# 80%

According to a 2018 study, 80 percent of consumers are more likely to do business with a company if it offers a personalized experience (Epsilon).

## The effects of data availability on inventory value

While there is a wealth of data available for advertisers, media owners, and tech vendors alike today, there has been a struggle in the past few years of learning how to effectively leverage that data at scale while keeping it secure and without infringing on consumers' privacy.

A publisher's audience is arguably its most valuable resource. Without a unique and engaged audience, publishers would not have a reliable way to monetize their content and generate ad revenue. Part of what makes a publisher's audience so valuable is their audience data.

Publishers and media owners want to keep their inventory and audience data private and secure. Buyers, however, believe it devalues the inventory if the media owner pulls back its data and the buyers cannot bid against that data. On the other hand, protecting audience data is now more important than ever for both publishers and advertisers to protect user data and comply with data privacy laws.

Countries around the world took measures in 2018 to release new data privacy laws or make existing laws stricter.

In the European Union (EU), GDPR and other local regulations are limiting data application from an advertising perspective. Across the region, GDPR mandates that all unique audience identifiers, including user IDs and IP addresses, be regarded as "personal data" and must not be used in a way that would distribute them throughout programmatic ad systems without a user's consent or a legitimate business interest.

While these regulations began and were passed in the EU, their effects continue to have a worldwide reach. Any business around the globe operating in or serving consumers in the EU suddenly had to comply with this new law and adopt new technology and processes to do so.

GDPR has influenced changes in data privacy laws across the globe in markets like:

- Canada: Amendments to the Personal Information Protection and Electronic Documents Act went into effect in November 2018.
- Australia: Breach notification amendments to Australia's Privacy Act of 1988 went into effect in February 2018.
- India: A draft of the Personal Data Protection bill was submitted in July 2018.
- Brazil: There is now a law in effect that is very similar to GDPR.
- South Africa: The region is now implementing the Protection of Personal Information Act. (Hunter)

This type of data privacy regulation is also making its way to the U.S. as well but is still in its infancy. On the heels of a number of data privacy scandals, comes the California Consumer Privacy Act of 2018 (AB 375). The law is enforceable on January 1, 2020 and makes sweeping changes to data privacy requirements for companies doing business in California.

Data privacy will be an interesting story to follow heading into 2019. We expect to see data privacy regulation conversations to continue in regions around the world in 2019.

## Opening up private marketplaces with data protection technology

In addition to the many new regulations in advertising within the past few years, the marketplaces in which ad inventory is transacted have gone from being an open marketplace concept to more 1:1, direct relationships between advertisers and publishers and media owners.

Due to privacy concerns spawned from new regulation, advertisers are being driven to work more closely with their publisher partners, shifting the programmatic buying landscape from open marketplaces to private marketplaces across all types of inventory — desktop, mobile, and CTV.

CTV specifically has made a significant shift away from open marketplaces — with private marketplace transactions growing from 70 percent of all SpotX CTV transactions in November 2016 to 96 percent in November 2018. In 2019 and beyond, CTV will continue to be largely private due to its premium nature and advertisers' brand safety concerns.

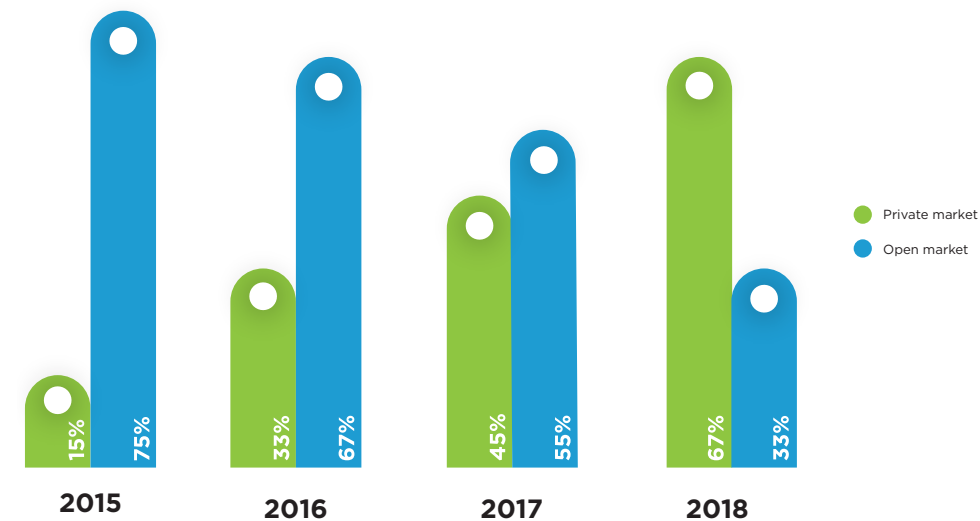
Additionally, forecasts estimate that programmatic direct and private marketplace

deals will account for 79.6 percent of all programmatic deals by the end of 2019 (eMarketer, eMarketer Releases New US Programmatic Ad Spending Figures).

While the shift to private marketplace deals has many benefits from a brand safety and data privacy perspective, it does not come without its own set of challenges. Within these private marketplaces, advertisers are only able to look for their first-party audience and see their best ad opportunities within one publisher's inventory to determine where to invest their ad spend — rather than looking at various publisher's inventory all at once to find their audience in an open marketplace.

In 2019, more media owners and advertisers will leverage technology that allows them to open up these private marketplaces. Technology tools will emerge — such as the Audience Management Engine from SpotX — that will allow buyers and sellers to harness the power of first-party data they possess and programmatically bid and forecast against that data, all while keeping the data anonymous and secure.

### SpotX private vs. open marketplace transactions across desktop, mobile, and connected TV inventory



Source: SpotX



TREND 4

**Industry-wide  
transparency  
efforts and  
regulation will spur  
larger investments  
in data management**

## Media owners and advertisers seek solutions for the growing fraud problem

The massive growth in digital video ad spend in the past few years has brought an increase of fraud with it. Video ad fraud is actually twice as common as display ad fraud due to the amount of money in the video ad ecosystem, according to DoubleVerify (Benes).

As fraudsters have set their sights on video, problems have arisen for both media owners and advertisers. In turn, this increase in video ad fraud has caused a great increase in demand for transparency throughout the supply chain.

One solution many in the industry have turned to is supply path optimization, which is the practice of pruning bid requests through algorithms to make smarter buying decisions and reduce infrastructure load to simplify the buying layers.

This topic has been widely discussed since header bidding over-delivered on the promise of inventory scale and visibility into the supply sphere for buyers. It forced many DSPs to process far more requests

than their infrastructure could handle and caused confusion about the source of impression opportunities. As a result, buyers — driven by the desire to have efficiency and transparency into the buying process — turned to solutions like supply path optimization.

From a DSP's perspective, the journey they take to achieve impressions is one riddled with tolls, potholes and roundabouts. As such, they've taken matters into their own hands with supply path optimization, using algorithms to cut out questionable or duplicate requests and seek out ones they are more likely to win. These algorithms analyze traffic patterns and win rates to assess which publishers and media owners provide the most direct, toll-free path to their inventory.

While DSPs are strategizing how to carve out a more straightforward path to inventory, brands and agencies should be working closely with their DSPs to ensure their goals are being fulfilled. The best way to do that is to not only understand the DSP's supply path optimization strategy and business

practices but also comprehend the SSP model and even form relationships and lines of communication with the sell-side.

One of the more confusing challenges around supply path optimization involves “auction dynamics,” or the inner workings of how a particular auction determines the price at which an impression is sold.

As the industry continues to shift to programmatic, where innovations like header

bidding and server-to-server integrations are becoming more popular, ad requests are increasingly supporting many different types of auctions — all of which require different approaches and bidding strategies. For effective SPO, brands and agencies need to embrace a multifaceted approach, one that includes a deep understanding and analysis of their dynamic auction performance.

## Initiatives to increase industry transparency

The increase in fraud has also caused new regulation and standards to pop up — especially from the Interactive Advertising Bureau (IAB) — like ads.txt. With ads.txt, an IAB initiative, publishers can declare which supply partners have rights to resell their inventory, indicating its legitimacy.

If a publisher hasn't implemented ads.txt, it is assumed that anyone is authorized to sell their inventory, which can lead to domain spoofing.

Domain spoofing is a problem for both buyers and sellers. It can lead buyers to unknowingly purchase counterfeit inventory and legitimate sellers to have their reputation tarnished while also losing out on advertising dollars.

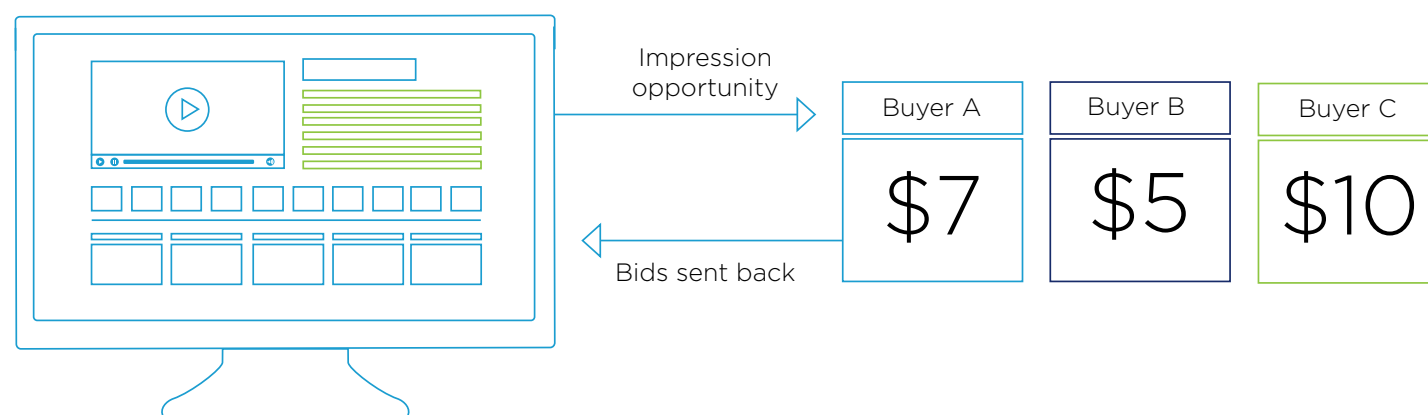
As a result, brands and agencies have implored their DSPs to only buy from ads.txt sources and worked more closely with their SSPs to understand who they are including in their ads.txt file.

As a leading video serving and monetization platform, SpotX does not allow or tolerate domain spoofing on its platform and, therefore, leverages ads.txt files to block any unauthorized inventory.

Coming on the heels of ads.txt, is ads.cert — the latest IAB specification designed to

combat ad fraud. Ads.cert was released as part of OpenRTB 3.0, the largest overhaul of the OpenRTB protocol since its inception in 2010. At a high level, ads.cert gives buyers peace of mind that the inventory they purchase is correctly represented in the bid request. Ads.cert will aim to achieve this by increasing transparency and exposing if any details from the original ad request were modified at any point in the supply path.

While the industry strives for greater levels of transparency, companies must take consumer data privacy into account — which has spurred regulation around the globe. Many companies are already dealing with the effects of the General Data Protection Regulation (GDPR) from the EU, but other countries are already following suit, such as the U.S. with the California Consumer Privacy Act.



*...brands and agencies have implored their DSPs to only buy from ads.txt sources and worked more closely with their SSPs to understand who they are including in their ads.txt file.*

## The future of transparency and supply path optimization

As the demand for transparency continues to grow, buyers and sellers will make large investments in supply path optimization and data security technology in 2019.

Supply path optimization will remain important for the foreseeable future due to how closely it's tied to other major industry trends such as header bidding. As a result, it is already fundamentally changing how buyers and sellers operate because it is establishing further standards for how buyers and sellers succeed in this constantly evolving ad tech landscape.

It's becoming increasingly apparent that SSPs that provide transparent transaction mechanics will come out on top as the buy-side enlists algorithms to guide their decisioning towards the good actors and away from the bad.

Sooner or later, publishers will find themselves in a position where they have to make changes, whether it's as simple and small as adopting ads.txt or completely rethinking their monetization strategy.

One thing is for sure: The buy-side is taking large strides toward supply path optimization, and it doesn't seem like they're slowing down for anyone. Additionally, both buyers and sellers are seeking to reduce the amount of middlemen within their processes. We expect to see even more media owners thoroughly evaluate the vendors and technology with which they work in their supply path, and they will need to be much more selective moving forward.

In order to both comply with global data privacy laws as well as best practices from the IAB, sellers will heavily invest in technology solutions that allow them to remain transparent with buyers and increase inventory value with data, all while respecting consumer privacy.

By working with technology vendors like SpotX, sellers can securely leverage technology that leverages non-personally identifiable information to improve the ad experience for both buyers and consumers.

*Sooner or later, publishers will find themselves in a position where they have to make changes, whether it's as simple and small as adopting ads.txt or completely rethinking their monetization strategy.*

# Industry predictions for 2019

As brands execute their advertising strategies throughout 2019, it is clear that they will need to be flexible and open to change — whether that means diversifying their ad spend among the changing traditional TV, OTT, and CTV landscapes, investing in emerging technology to activate their data, or adapting current processes to comply with new regulation.

On the supply side, OTT providers, virtual MVPDs, telcos, and more will seek to expand into new global markets, but they'll need to get creative and find ways to increase the value of their inventory while complying with region- and country-specific data privacy laws.

Publishers across media types must reevaluate their technology investments to ensure these partnerships enable them to effectively leverage data and increase the value of their inventory.

All in all, the top thing the digital advertising industry can count on in 2019 is change — change in the ad experiences offered to consumers, change in the technology available, and change in the way various aspects of the industry are regulated.

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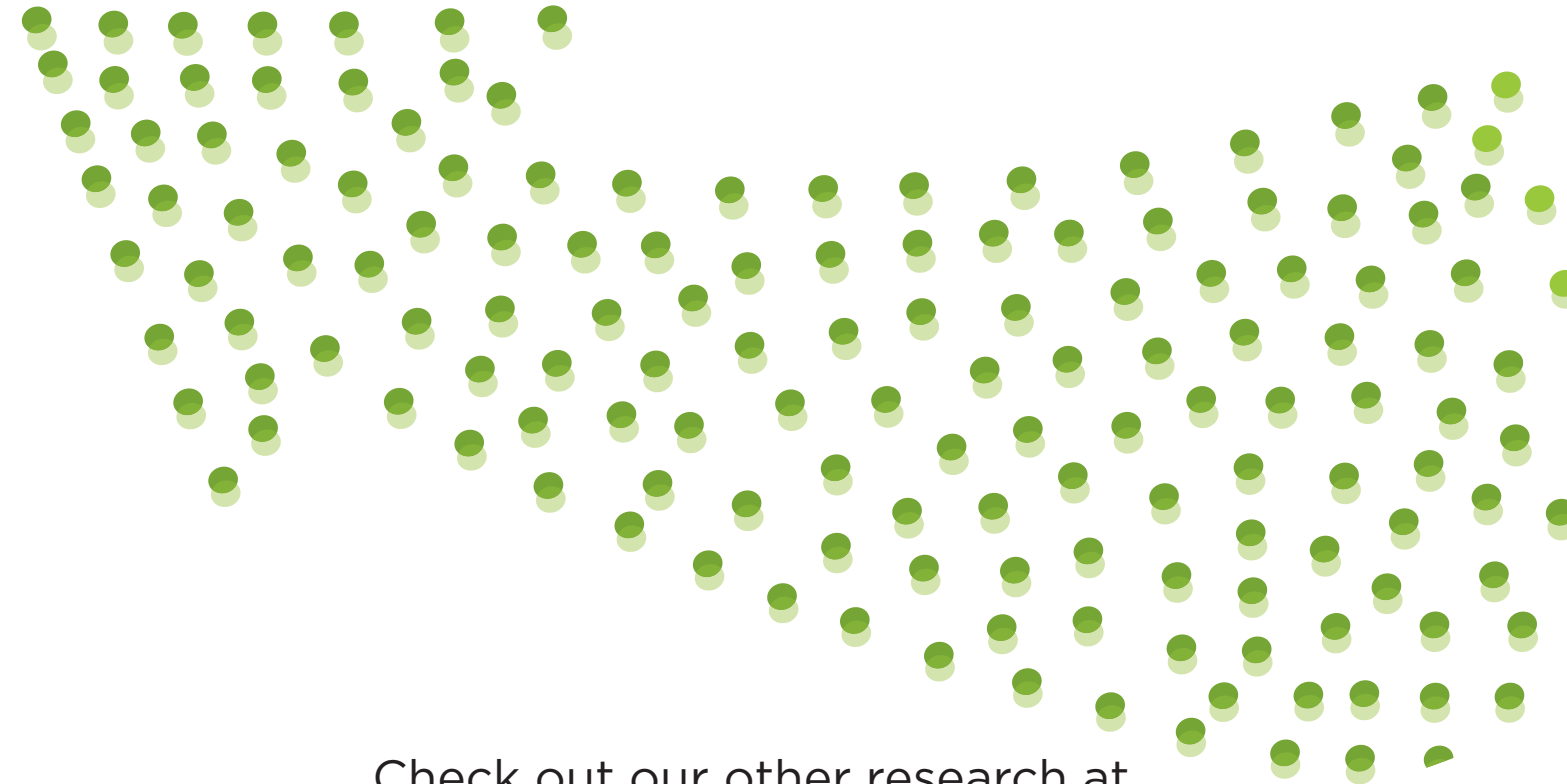
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*SpotX is the leading global video advertising platform that enables media owners and publishers to monetize premium content across desktop, mobile and connected TV devices. As a modern ad server with programmatic infrastructure, data enablement, and monetization solutions for OTT, outstream, and addressable TV, SpotX gives media owners and publishers the control, transparency, and actionable insights needed to understand buyer behavior, manage access and pricing, and maximize revenue. SpotX also provides advertisers with a direct pipeline to premium supply and innovative solutions for optimizing media efficiency, reach, and audience targeting.*

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**PR contact:**

Tammy Blythe Goodman  
[tgoodman@spotx.tv](mailto:tgoodman@spotx.tv)

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