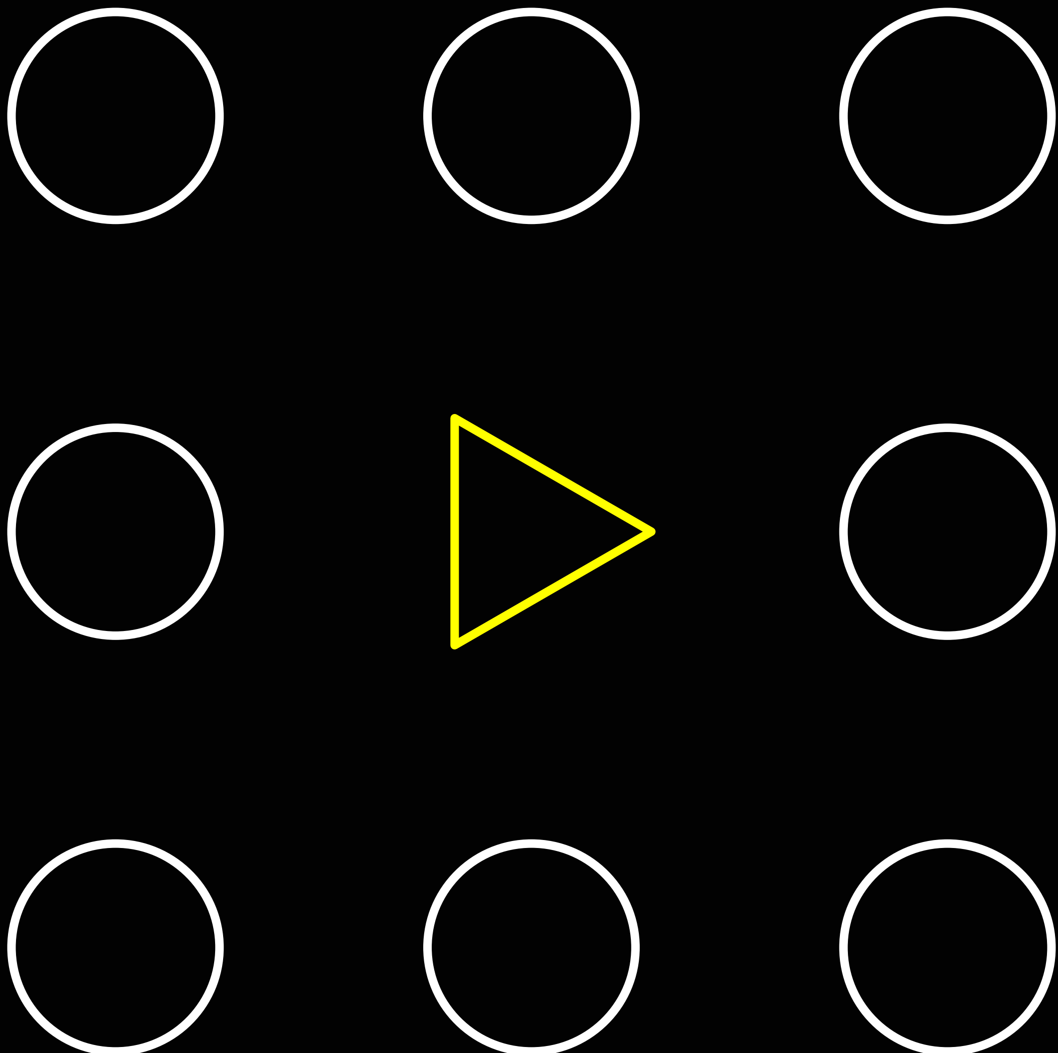
Marketers' Guide to Video & TV in 2021

Perceptions, truths and best practices from DTC brands



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Introduction

TV is regarded as a legacy channel — one that is expensive, difficult to measure and resistant to the precise targeting that marketers have come to expect from digital channels. Those myths, however — but not the medium itself — are beginning to show their age.

The year 2020 has been marked by massive transformation, and some advertisers have had to decrease or pull advertising budgets, especially those in hard-hit sectors such as travel and leisure. These shifts have provided unparalleled opportunities for performance brands to test and refine new data-driven strategies in TV.

Spurred by a need to reach new audiences beyond social platforms, DTC brands have been at the forefront of this great experiment. The results of their efforts have begun to dispel enduring myths about the cost, precision and measurability of the channel, forging a path for TV to take its place alongside digital video as part of a disciplined omnichannel performance strategy.

In this new report, Digiday and Tatari surveyed more than 70 advertisers across Digiday Media's audience — focusing on brands and agencies — and asked them about their attitudes and practices related to overall video investment and how TV-related spending strategies are evolving.
We found that, with the ongoing introduction of DTC brands to TV, the traditional division between brand and performance spending is beginning to blur.

Read on for the full survey results and analysis from experts in the analytics and DTC space — a picture of the future of TV and digital video advertising investment.

The state of video ad spend

For marketers, video ad spend has grown beyond the usual suspects of social platforms — from Instagram to YouTube and programmatic web video. While these formats have their place in the video ecosystem, TV offers new opportunities for these brands to reach customers beyond digital channels.

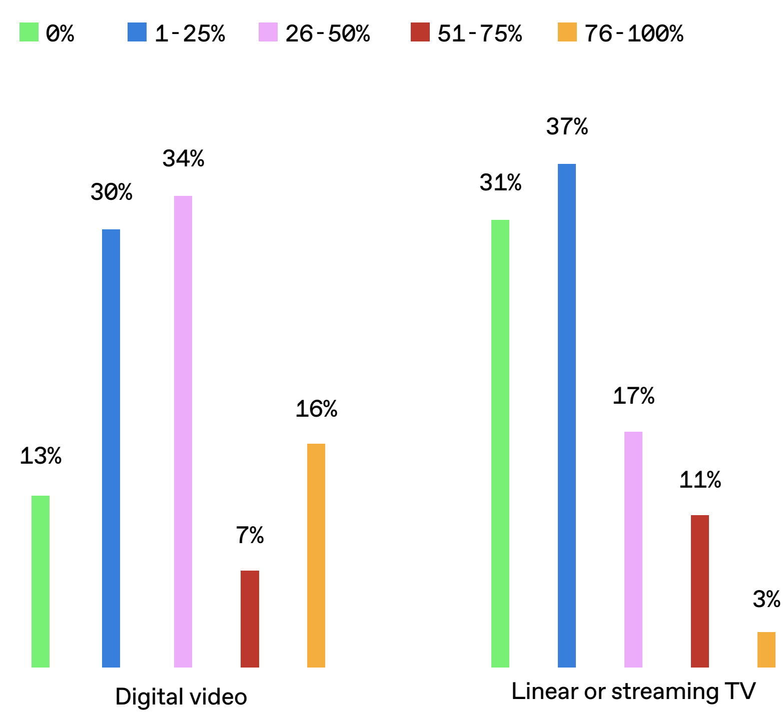
TV has inherent advantages: Massive reach, minimal ad fraud (as compared to online video on open exchanges) and viewing behaviors that lend more time and attention to brand messaging.

Watching TV is often an experience that spans an hour or more. Whether it's someone watching episodic shows, news or movies, ads occupy a part of that viewing experience and command attention across an evening or an afternoon. Pre-roll, mid-roll, banner or in-app video ads cater to different attention spans, appearing on a much smaller screen for less time — and they often offer a choice to watch or skip.

Advertisers in these two spaces are marked by differences in size.

When we look at the size of companies identifying as larger brands — categorized as having 500-plus staff — they favor living-room video; CTV and linear TV is a significant factor in their ad spend. For smaller brands, standard digital video, i.e., desktop and mobile, still dominates.

Half of brands' overall ad spend sits with TV



Q How much of your overall video ad spend currently goes to the following platforms?

Overall, digital versus TV investment for our brand respondents was relatively neck and neck: 85 percent of brands say that up to half their overall ad spend sits with linear or streaming TV and 77 percent of brands say the same for digital video.

But this year has seen a shift. In the wake of the pandemic, digital ad spend in the U.S. slowed significantly, with some of the hardest-hit sectors being travel and entertainment, where brands were forced to pause and rein in their spending on TV, among other channels. It left more supply than demand, rare for the majority of TV networks, and resulted in more inventory and attractive pricing.

This unlocked a major opportunity for brands that have historically been priced out of TV advertising. The new dynamic is allowing smaller, often DTC-level, brands to invest in linear and CTV inventory. But cost is not the only barrier to a performance strategy in TV; one also needs to solve for measurement and attribution.

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TV is a very direct response channel for us. We’re looking at the performance on a daily basis and making decisions on different placements, different creative, just like we would be doing on digital.

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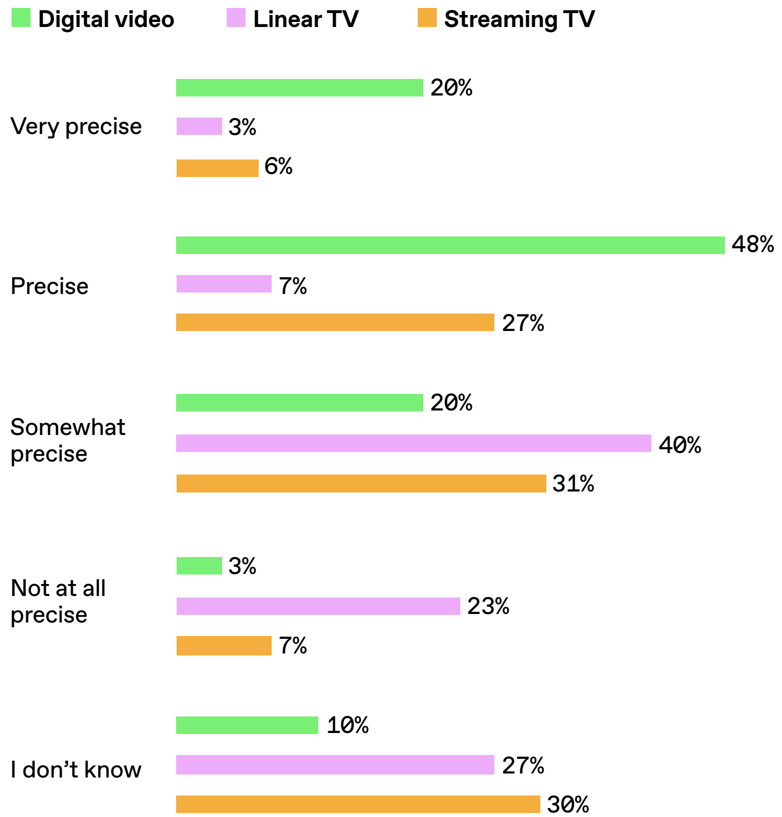
— **Brooke O’Brien**
marketing manager, user acquisition, Ibotta

Targeting and attribution perceptions

When it comes to targeting and attribution, video advertisers have grown more accustomed to standard digital video than to linear TV. The research shows that, across industries, advertisers believe they can achieve more precision in targeting by turning to standard digital video — with some differences between linear and streaming (again, this shows an unconscious link between digital and targeting).

One-fifth (20 percent) of respondents say digital video is “very precise” compared to 3 percent who say this about linear TV and 6 percent who say so about streaming.

Brands feel that digital video allows for more precise targeting

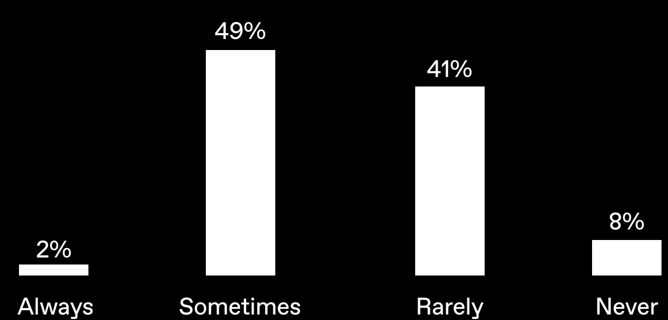


Q When it comes to audience targeting, how precise are your (or your primary client’s) efforts on the following platforms?

Advertisers commonly believe attribution and performance measurement are swifter on standard digital video, enabling faster campaign optimization — but experts in the DTC space have had a different experience.

Our research shows that almost half (49 percent) of respondents feel that TV is close to becoming fast enough to allow for competitive allocation adjustments and campaign optimization, and 2 percent believe it’s there already. While there is room for improvement in the eyes of our respondents, only 8 percent say TV is not fast enough to allow for adjustment.

TV attribution: Opportunities for optimization and competitive adjustments



Q In your experience, how often is the speed of attribution for TV fast enough to allow for competitive allocation adjustments and campaign optimization?

Uncertainty may be keeping advertisers off of TV in an era in which COVID has created a need to react quickly. For some brands, it's about setting goals that help marketers understand when and how to optimize.

For example, performance apparel brand Vuori has similar goals across both digital and TV: to drive traffic and sales. Director of e-commerce Jamie Fontana says the brand scales and optimizes TV placements and is mindful of seeing a direct response and change in traffic.

"Another element of TV is that it helps build the overall awareness and brand recognition," says Fontana.

"TV is also allowing us to build out the stories we're telling our audience online, reaching another place that they're spending their time."

It's a trend that analysts are noticing.

Kevin O'Farrell, associate vice president at marketing analytics and tech company Analytic Partners, says: "We are seeing more and more brands that build their awareness and sales through digital levers starting to experiment with TV and incorporate it into the mix to drive the broader reach. The mattress companies Casper and Eve are classic DTC examples where TV plays a large role in their media mix, but it is complemented by digital channels."

"Our research has shown that a multichannel approach is key, even within digital alone, and the idea is to invest in multiple digital channels to get the highest return," O'Farrell says. "Two channels are already better than one."

And the perception of TV is changing further, as investments and exploration of the format continues. For example, Brooke O'Brien, marketing manager, user acquisition, at Ibotta, says: "It's a very direct response channel for us. We're looking at the performance on a daily basis and making decisions on different placements, different creative, just like we would be doing on digital. We definitely leverage it in that way as more of a direct response channel rather than a brand awareness channel."

How do advertisers rank metrics for attribution?

What's valued most when it comes to accurately measuring attribution changes in digital versus traditional channels? Respondents say that impressions carry more importance for linear TV than digital metrics such as view through cost per visitor/install/acquisition. Again, this switch of ranking shows that linear TV is still not as fully associated with digital metrics, despite TV becoming more digital. Streaming, which is pure digital, is more closely associated with digital metrics.

In essence, digital video advertisers want to measure a direct line to ROI from a user encountering their video ad, while linear TV is still focused on a brand awareness play for on-air advertisements. But, as we'll explore in the next section, assured metrics are not always guaranteed in the digital play.

Digital Video

Most important — View through cost per visitor/install/acquisition

Least important — Video completion rate

Streaming TV

Most important — View through cost per visitor/install/acquisition

Least important — Impressions

Linear TV

Most important — Impressions

Least important — View through cost per visitor/install/acquisition

Indeed, the perceived barriers to TV are coming down. Attribution and targeting have now become faster on TV, allowing advertisers to optimize more flexibly and quickly, with the ability to adjust and refine on a weekly basis.

Naturally, some brands are already ahead in measuring their linear and CTV spots.

Carly London, head of growth at DTC brand Lively, says: “TV used to be known as a brand building channel, but we treat TV as both a brand building and a direct response channel. We measure how many people visit our site, along with how many people make a purchase, within five minutes of a spot airing.

“This allows us to calculate a CPV (cost per visit), as well as a CPA or even a ROAS,” she continues. “We then adjust which channels and dayparts we buy based on the channels that prove to be most efficient for us. We are very agile, and are able to buy TV week to week, allowing us to adapt to performance and budget changes.”

What is critical to note is that brands are often not bringing these capabilities to TV via in-house teams. In many cases, brands are working with technology partners that enable them to use data-driven methods. It’s an evolving state of the industry, one that is bound to accelerate as the smaller, at present DTC-level, influx of new TV advertisers continues.

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There may still be myths around measurability and the media buying component, but for us, we found that TV can be measurable and media buying can be simplified with the right partners.

vuori

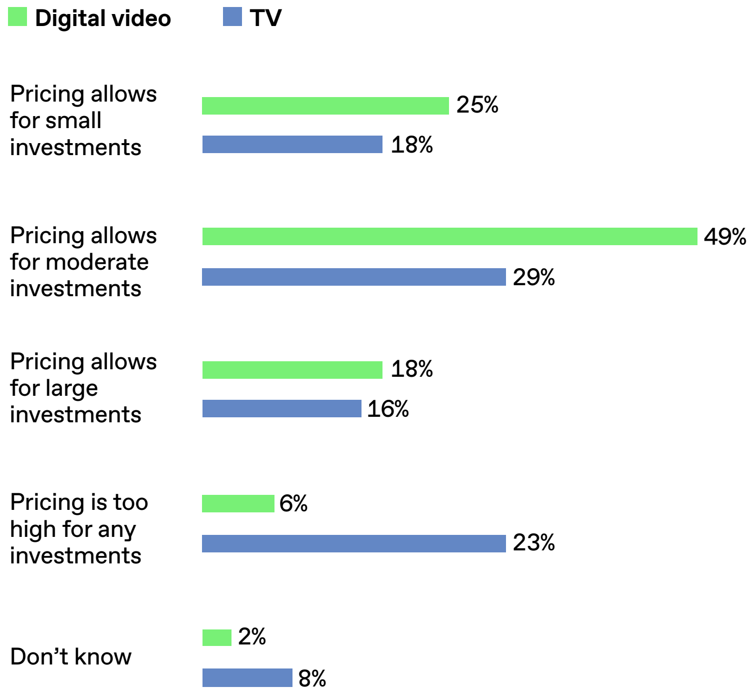
— **Jamie Fontana**
director of e-commerce, Vuori

Rethinking pricing opens TV to DTC

As advertisers' understanding of targeting and attribution and speed to market transform, other challenges are entering a new light as well.

Historically, TV has been the province of larger brands, and much of that has had to do with cost. While TV delivers a different experience to digital video, many DTC brands still worry about TV pricing — though with better measurement and greater transparency, brands are learning that even the highest prices are consistent with their disciplined KPIs for ROAS and CPA/CPV.

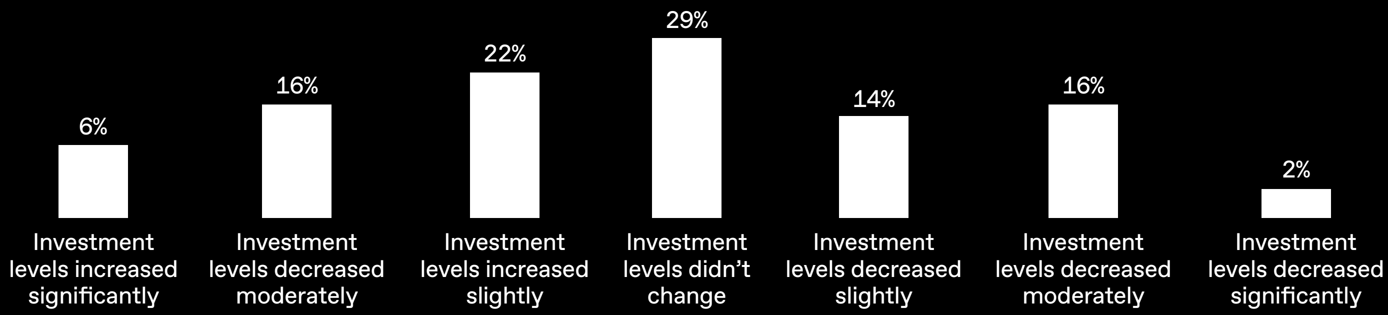
Brands increasingly find TV investment to be within reach



Q When it comes to inventory pricing, which of the following best describes your attitude toward digital video and TV?

For smaller brands, pricing has historically been a major factor in TV-related decision-making but almost two-thirds (63 percent) of respondents have realized that TV does allow for investment. Furthermore, 44 percent of brands have increased this investment level as pricing shifted during the pandemic.

TV investment sustained — and increased — in 2020



Q Over the past year, as TV pricing has changed during the pandemic, what has best described your approach to investing in TV?

However, while TV pricing has been prohibitive for growth-stage brands, that factor has changed as larger advertisers pulled spend earlier in 2020, creating available inventory at a more affordable price.

“One myth I’ve heard a lot is, ‘You need a million dollars to test on TV,’” says Michelle Cordeiro Grant, founder and CEO at Lively. However, she says, “It’s possible to create a commercial in the lower five-figure range. For example, Lively is a community-first brand, and we’ve featured our ambassadors and employees in our marketing campaigns since the early days. TV was no different for us. We were able to organically cast our community in our TV ad, and we used our own office as our set, which spread the ethos of community while keeping our costs low.”

As with digital marketing, TV also has remnant inventory — this doesn’t relate to discounted inventory or fire sales but inventory that isn’t sold at the upfronts — which creates a window of opportunity for smaller brands to dip their toes into TV’s waters. CPG brands have invested more in TV in the past, but DTC-level brands are starting to pick up the pace.

“Everyone’s starting to realize that TV can be a place that you can go and test without having thousands of dollars,” says Karina Rhem, offline media manager at Ro.co — a patient-driven telehealth company. “In the past, it’s been that way and that’s what people thought, and it was a huge barrier. But now, especially with the direct response market and the remnant inventory, I think a lot of companies are starting to see the value in TV.”

Ro.co has an always-on strategy for linear TV, focusing on opportunistic buys, mostly within sports or places it can secure last-minute fire sales — but also maintains a core mix of cable networks.

> **It’s important for us to allow for flexibility so that we can always adapt to the current landscape, especially given this year, everything that’s happened, it’s been an extremely valuable approach.**

— **Karina Rhem**
offline media manager, Ro.co

Five brands dominated the DTC mix on TV

In the first half of the year, DTC brands were taking advantage of TV inventory leaning in to lockdown trends that were occurring around home workouts, health and wellness and food subscription. DTC brands achieved increased impressions on TV spend — representing a more significant portion of TV market share. Research from iSpot.tv and the Video Advertising Bureau shows that 25 percent of all H1 DTC ad impressions on TV came from five brands — Carvana, Wayfair, Grubhub, Peloton and Noom.

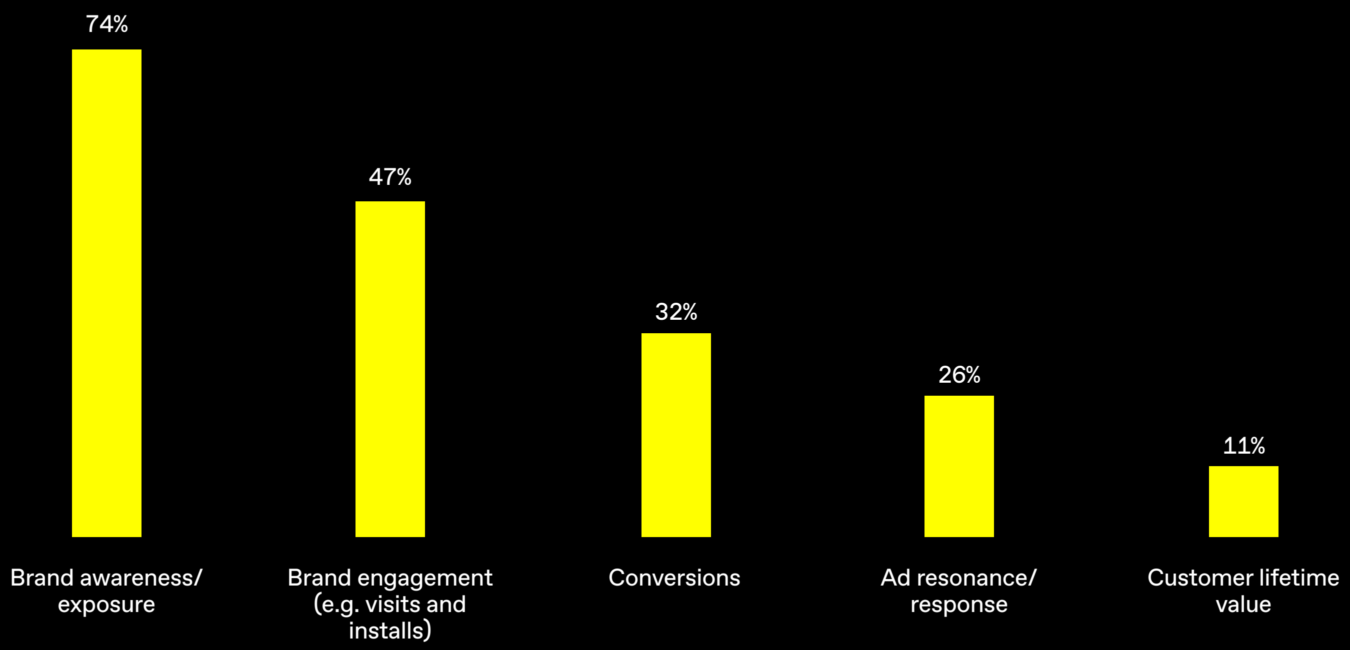
All of this points to a near-future dynamic that advertisers cannot ignore: Smaller brands and other DTC players that aren’t developing TV campaigns will miss out on an opportunity to get in front of their consumers. At a time when people are in their homes, on their devices watching, they’ll fall behind advertisers who develop TV strategies, and they’ll lose a competitive advantage.

Brands that increase TV investment reap the rewards

As the TV landscape changes, DTC brands have a major opportunity to increase exposure by investing in TV — and they can now afford it. Some already realize this, but some don't. Brands that are increasing their TV investment levels experienced an increase in brand awareness and exposure, brand engagement and conversions — reaping the true benefits of TV. These respondents also modified their thinking in regards to attribution approaches they believe to be the most effective when it comes to investing in TV.

Brand fears over measurement, pricing and targeting also lessen once they've tried and tested TV. While brand awareness and exposure ranks high on the benefits of TV — 74 percent of respondents say this — more digital metrics are coming to the fore. Just under half of respondents (47 percent) are seeing brand engagement, conversion (32 percent) and see TV as a sole contributing factor to driving site visits and purchase.

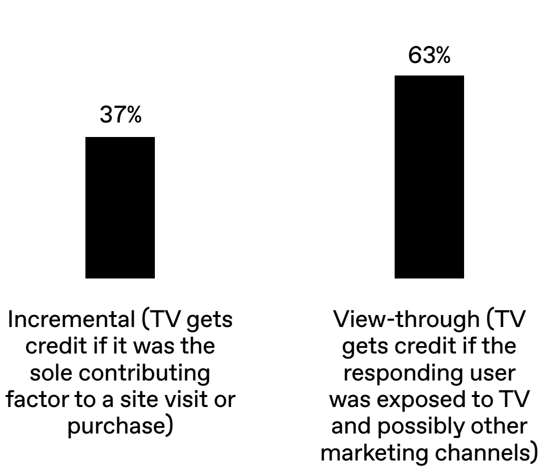
The benefits of TV investment



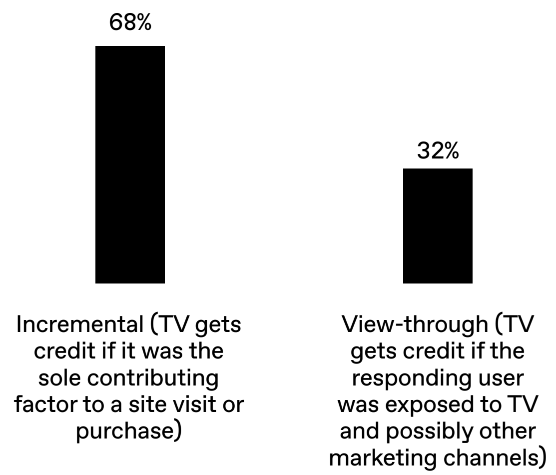
Q As you've increased TV investment, which of the following positive outcomes have you observed? Select all that apply.

Brands have moved to incremental measurement for understanding the impact of TV advertising

Before increasing investment in TV, which attribution approach did your organization find to be most effective?

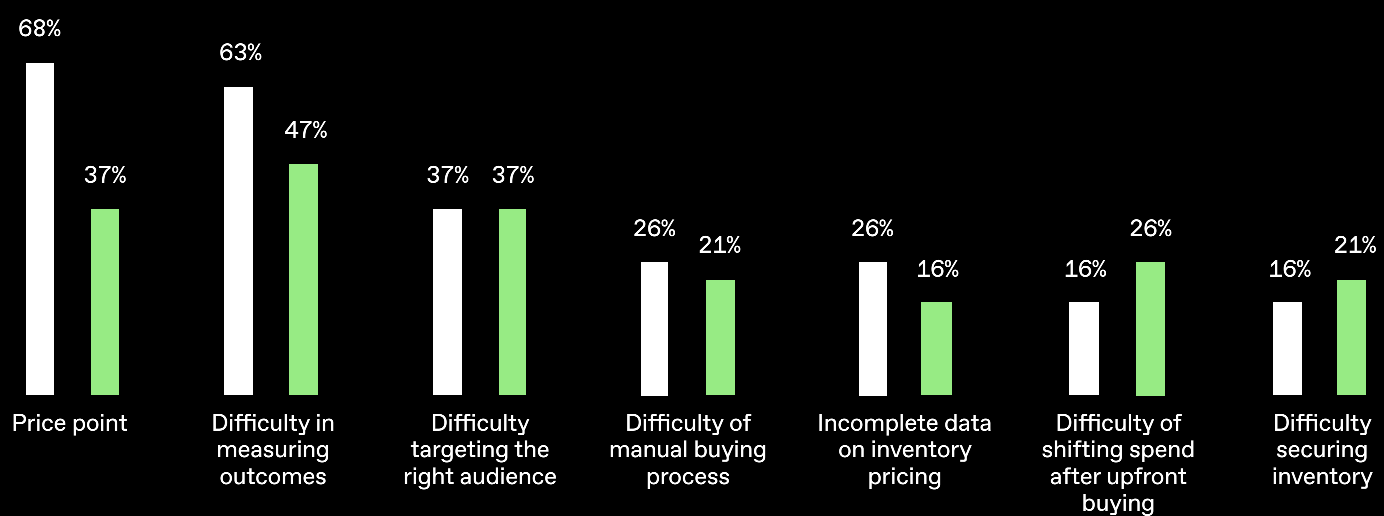


Since increasing investment in TV, which attribution approach did your organization find to be most effective?



Brands fears over measurement, pricing and targeting drop after investing in TV

Before investing in TV
Since investing in TV



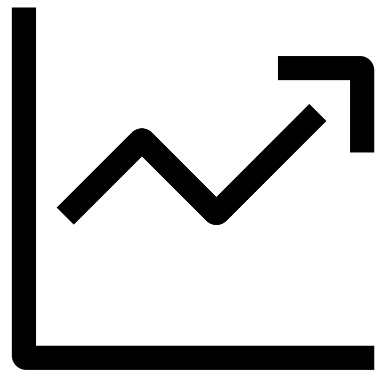
Q Since investing or increasing investment in TV, which of the following have been chief challenges? Select all that apply.

Digital hits a peak

Our research shows that by and large advertisers say they're already investing the right amount in standard digital video. But some might find it difficult to substantially increase ROI by increasing spend on available platforms and publisher sites.

In effect, DTC brands may already be reaching a saturation point within social and digital video platforms, leading to diminishing returns — making TV a more appealing opportunity.

For Ibotta, the decision to invest in TV was driven by diminishing returns in digital. "We definitely were starting to reach a saturation point on our digital channels," says O'Brien. "We were looking for another channel to acquire new users because we had tapped out on other channels. We needed to expand but didn't want to get too far away from the direct response performance mindset our team has."



Test and learn — and win with TV

For advertisers — especially smaller DTC advertisers — that are looking to expand or increase their investment in TV, it's crucial to learn more about current inventory pricing and seek out partners that can help them master TV attribution and targeting.

A test-and-learn approach might not seem native to TV but Rhem, at Ro.co, advises DTC brands to take the leap.

"Don't be afraid to test it out," she says. "And don't spend too long trying to plan every detail out. Just like any other channel, you'll need to test and iterate, so it's better to just start to get learnings quicker.

"If you're thinking about launching on TV, consider your timing," Rhem continues. "For example, make sure you have the capacity to scale in terms of operations, but also think about your brand seasonality as well as TV's — what timing best aligns for you?"

On another note, O'Brien, at Ibotta, says: "It's crucial to work with a partner that can measure performance on a spot-by-spot basis, so that you can really understand how it's driving your KPIs and quickly optimize your buy based off of the networks or the creative that works the best for you."

And Fontana, at Vuori, echoes this sentiment. He says: "With any new channel, you need to be ready to really understand everything from the pricing to the measurement and the placement — yourself, as a brand, even when working with a partner — and to be ready to really establish your own benchmark, and to be willing to test."

To forge their path into the new future of TV, one shaped by radical changes to the ways advertisers understand pricing, inventory and access, brands must put misconceptions aside and start to view TV as a digital medium, where their best practices from digital still apply.

Our Story

TV advertising has always been the same. Bought, sold, served and measured using outdated processes by incumbent players. We know this system no longer works. We know it's time for a change.

Imagine instead a future where data science and TV advertising converge to perform like digital. A future where you can buy, traffic, measure and scale TV campaigns accurately in real-time. As advertisers who were once in your shoes we understand how to make TV work no matter what the size or budget.

Our goal is to provide the knowledge and transparency needed to give you the competitive edge and to create a clear way forward for advertisers everywhere.

At Tatari we are bringing you the future of TV, today.

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