![smartclip]

Addressable
TV Advertising

Executive Summary

We are excited to share our findings on the state of Addressable TV Advertising across Europe and advance our "Total Video" initiative — aimed at strengthening European broadcasters' stance in an era of digitalisation.

European broadcasters are at a pivotal crossroads. Digitalisation and changes in consumption behaviours have and continue to fundamentally change the entire TV advertising ecosystem. Advertisers are eager to employ the same degree of data-driven tactics used across internet platforms to their TV strategies. At the same time, powerful Silicon Valley players have made significant advances to the small screen by providing TV-like services and content offerings — placing significant competitive pressure on broadcasters.

By and large, we are seeing European broadcasters make a number of strategic moves in the efforts to reassert their role in the industry. The main challenge lies in combining the worlds of digital and broadcast to create a clear unique selling proposition that effectively differentiates European broadcasters from digital competitors — and Addressable TV (ATV) advertising is the way forward.

Marrying the best of digital with the best of TV, ATV advertising is one of the most important topics for European broadcasters. The pan-European Hybrid Broadcast Broadband TV (HbbTV) standard — which most smart TVs in Europe carry — provides broadcasters with a controlled environment for enabling ATV solutions and consequently represents one of the biggest, untapped opportunities to advance ATV across Europe.

smartclip is leading the way in providing ATV solutions to European broadcasters. Managed by Mediengruppe RTL Deutschland, smartclip is an open adtech platform designed specifically for the needs of European broadcasters and streaming services. With smartclip's comprehensive adtech infrastructure and innovative commercial advertising products, broadcasters are able to reap the full benefits of addressability in all its forms — including linear TV. The smartclip platform empowers broadcasters and advertisers to tap into TV data made available via the HbbTV technology, analyse and segment target audiences based on viewing behaviour, and deliver targeted, one-to-one, real-time TV advertisements into the conventional linear TV signal.

We are already working with leading European broadcasters — such as Mediengruppe RTL Deutschland, Groupe M6, Atresmedia, Discovery, and Viacom — to provide the most innovative ATV solutions. For the rest, we invite you to join us in leveraging smartclip's ATV solutions to fortify European broadcasters' position in the market.

The time is now. Traditional broadcast TV has an opportunity to maintain its position as the world's most effective advertising medium. To achieve this, broadcasters must accelerate their efforts to both counter threats from digital platform providers and solve for the evolving needs of advertisers.

I look forward to speaking more about smartclip's momentum and our efforts to enable ATV solutions across continental Europe.

We hope that you decide to join us,

Sebastian Busse
Director Broadcaster Solutions

Introduction

Introduction

Despite the proliferation of digital media, traditional broadcast television is still one of the most effective advertising mediums worldwide. In Western Europe, traditional broadcast television has an average viewing time of more than 240 minutes per day[1] — substantive evidence of the unwavering significance this channel holds for European advertisers.

While traditional broadcast TV is clearly still very much alive and thriving, digitalisation and changes in consumption habits are unarguably reshaping the entire TV advertising ecosystem. These changes require broadcasters to rethink their long-term strategies in order to not only capture new growth opportunities but more importantly, maintain their premier position in European markets.

Pivotal changes that are underway:

1. Consumers

Consumer expectations and usage habits are rapidly changing as a result of digitalisation and new market offers. Consumer expectations are moving towards more relevant and personalised content that can be accessed according to their individual needs. Audiences are also fragmenting across new platforms and devices, posing new challenges for broadcasters in terms of maintaining mass-market reach.

2. Advertisers

As usual, advertisers are following consumers, but they increasingly require data-driven approaches in order to evaluate their investments across platforms. At the same time, major internet companies are fuelling this demand by offering platforms that provide advertisers with exclusive and advanced data and targeting capabilities. Pressure is mounting for broadcasters to develop their digital capabilities and respond with more solutions apropos of advanced data, granular targeting, and the ability to measure business outcomes in TV advertising.

3. Competitors

Competition for audiences and ad spend has intensified across the board. Since the biggest chunk of ad spend still lies in television, powerful Silicon Valley players have made significant advances to the small screen by creating TV-like services and content offerings. Video on Demand (VoD) providers such as Netflix and Amazon have played a notable role in driving market change. Several global platform giants are now incorporating VoD into their platforms. For example, Google's YouTube Premium has seen substantial growth YoY, Facebook Watch, and Disney+ recently became available worldwide. Several players have created their own devices such as Amazon's Fire TV, Google's Chromecast, and Apple's Apple TV. Many are also now attempting forays into content production — positioning themselves in direct competition with the traditional TV industry. The disruption by digital players is fundamentally changing the landscape and placing significant competitive pressure on broadcasters.

1 "Europeans watch two more hours a month On-Demand video", Broadband TV News, retrieved 2 October 2019 from https://www.broadbandtvnews.com/2018/08/13/europeans-watch-two-more-hours-a-month-on-demand-video/

Taken together, these transformations have led broadcasters to make a number of strategic moves in the efforts to evolve their content strategies and reassert their role in the industry. Broadcasters are putting aside deep-seated rivalries and partnering to develop new streaming services to fight global digital giants. UK's subscription VoD service, BritBox, is a joint venture of BBC Studios and ITV. Major French TV groups including France Télévisions, M6, and TF1, have also launched a joint streaming service called Salto. Likewise, Spanish broadcasters RTVE, Atresmedia, and Mediaset España launched a joint platform called LOVEStv, which combines numerous free-to-air channels for catch-up or live viewing. Germany's ProSiebenSat.1 has partnered with Discovery to launch a joint streaming service called Joyn, which includes live TV and series streaming. In parallel, German broadcaster Mediengruppe RTL Deutschland has created their very own streaming service called TVNOW, which includes free-to-air TV channels and access to more exclusive content and programmes that are premiered on the service before their linear launch on a subscription basis.

More sophisticated technological and strategic advertising alliances are also becoming more prevalent across Europe. In Germany, the AdAlliance[2], Net-ID[3], and d-force[4] are groundbreaking examples of how broadcasters and large digital publishing groups have joined forces to leverage their leading positions in local markets to build out compelling joint value propositions that stand out from global competitors. Similar strategic alliances are also being formed across borders. For example, the European Media Alliance[5] is a prime example of how major broadcasters across continental Europe have formed powerful coalitions. Likewise, RTL AdConnect[6] is an open, pan-European ad sales house, which is made up of digital and TV media inventory from RTL Group properties and other broadcasters and publishers. These alliances all serve as a way to strengthen broadcasters' stance by driving technological advancements, centralising advertising sales efforts, and/or improving content distribution efficiency, targetability, and reach.

Broadcasters and media groups are also increasingly seeking out and investing in adtech. The most significant example is RTL Group's recent announcement[7] to create Europe's adtech development unit under their subsidiary company, smartclip. smartclip is now responsible for RTL Group's adtech business across European markets and is an open platform designed specifically to meet the needs of European broadcasters, digital publishers, and streaming services.

In addition to investments in adtech and alliances, a viable countermeasure against tech giants has been broadcasters' efforts to enable the addressability of their content within broadcast TV streams and digital environments. Addressable TV (ATV) advertising offers unprecedented opportunities for broadcasters and advertisers alike, as it combines the advantages of traditional TV advertising with the benefits of digital marketing. More specifically, ATV enables advertisers to continue to leverage TV for what it has always been good at — driving brand awareness with massive audience reach in a high quality, brand-safe environment. At the same time, advertisers can use new data-driven capabilities to target audience segments that are more likely to drive a specific business impact and ultimately measure that impact. By combining the high-quality, brand-safe scale of TV with the targeting precision and measurement capabilities of digital, ATV effectively solves for the evolving media needs of advertisers while giving broadcasters a competitive advantage over digital platforms.

2 More on AdAlliance can be found at https://www.ad-alliance.de/

3 "RTL, ProSiebenSat.1 und United Internet gründen European Net-ID Foundation", W&V, retrieved 2 October 2019 from https://www.wuv.de/medien/rtl_prosiebensat_1_und_united_internet_gruenden_european_net_id_foundation

4 More on d-force can be found at https://www.d-force.tv/

5 More on the European Media Alliance can be found at https://www.europeanmediaalliance.com/

6 More on RTL AdConnect can be found at http://rtl-adconnect.com/

7 "RTL Group to create Europe's leading ad-tech development unit," RTL Group, retrieved 28 August 2019 from http://www.rtlgroup.com/en/press_releases/2019/rtl-group-to-create-europes-l.cfm

While ATV has gained tremendous traction across global markets, Europe has a vastly different and unique playing field. Unlike other markets, the pan-European Hybrid Broadcast Broadband TV (HbbTV) standard has been the driver for ATV across Europe. The HbbTV standard allows broadcasters a controlled solution for ATV in traditional broadcast platforms. From a technical point of view, this means that broadcasters have complete control over the entire value chain — from content distribution to monetisation.

Today, more than 60% of European households (i.e., more than 120 million households) own a smart TV[8] — and almost all carry the HbbTV standard. European broadcasters have taken serious steps in developing their ATV capabilities in the efforts to capture this enormous market potential.

This paper provides an analysis of the state of ATV across Europe, with emphasis on the opportunities that smartclip's ATV solutions provide to European broadcasters. We bundle our findings with insights captured from interviews with senior industry executives from leading European TV markets who provide details on ATV opportunities and trends, hurdles, and future projections for each respective market. (Disclaimer: the research conducted and projections made within this white paper took place prior to the outbreak of COVID-19.)

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8 "TV Market Update: HbbTV Symposium, Berlin, November 2018", IHS Markit, retrieved 2 October 2019 from https://www.fkt-online.de/fileadmin/user_upload/Bilder/FKT/Themenseiten/HbbTV/03_Paul_Gray_Global_TV_Market_Review_Berlin_2018.pdf

ATV Unpacked

ATV Unpacked

There is no industry-wide definition of Addressable TV (ATV). This is due in part to the rapid pace of change and the fact that different global markets use different terminologies, as do different players within those markets. These are certainly classic characteristics of a nascent technology category. However, this lack of market clarity can be an inhibitor for European broadcasters. If European broadcasters and advertisers are going to debate and leverage the benefits of ATV, it is crucial to unpack the concept.

The first step in bridging the knowledge gap is understanding that when it comes to the topic of ATV, the United States and Europe should be considered separately, as the TV ecosystems, key players, underlying technologies that enable ATV, and use cases differ significantly in those respective markets.

ATV in the U.S. Market

In the United States, there are numerous floating and competing terms that further complicate this already fast-moving industry. Terms such as Advanced TV, Connected TV, Programmatic TV are often confused or used interchangeably with ATV. To understand ATV in the U.S. context, it is important to discuss the key players and technologies which enable ATV advertising.

ATV, in the U.S. context, is delivered by multichannel video programming distributors (MVPDs), such as Comcast and AT&T DIRECTV to pay TV, cable TV, satellite TV, and on-demand subscribers. This delivery of addressability is mostly enabled via set-top boxes (STBs), allowing the network provider to serve custom ads to the households. The ad inventory is quite limited (i.e., two minutes per hour) and is neither fully scalable to the whole TV inventory nor to all regions in the U.S. While ATV advertising via STBs can occur in linear broadcast, most occur on VoD and streaming services.
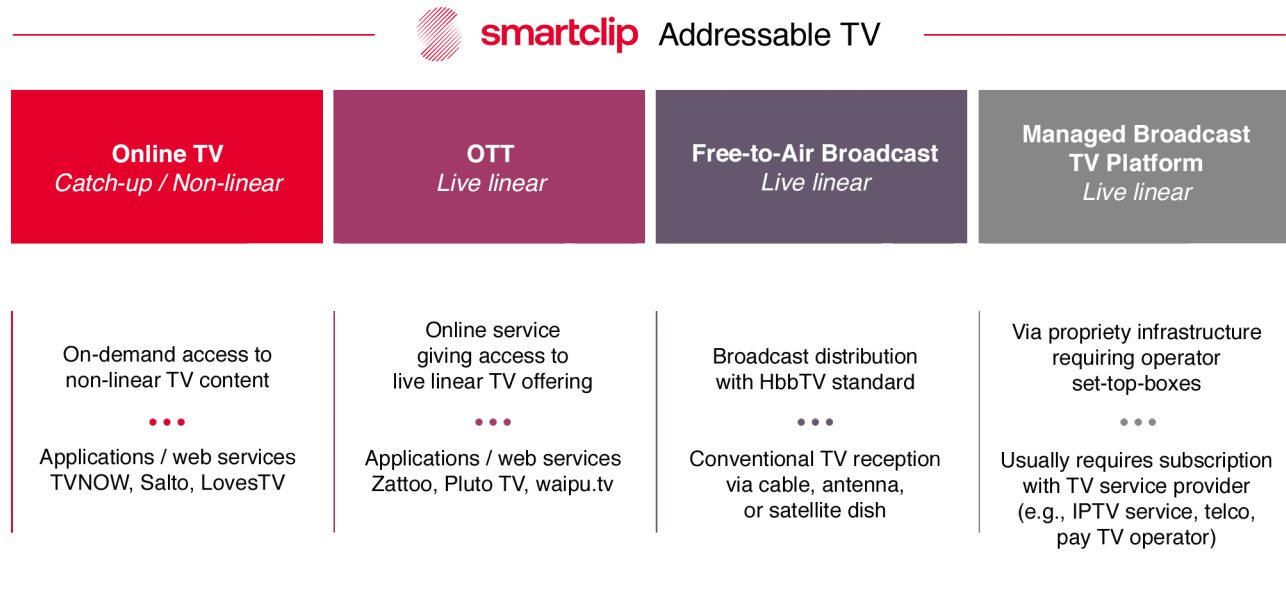
ATV in European Markets

In Europe, the TV value chain is less fragmented and broadcasters have far more control. There are some ATV solutions that, like in the U.S., require proprietary hardware. For example, the most advanced ATV offering in the UK is Sky AdSmart, which requires Sky STBs. Smart Ad in Belgium and Orange in collaboration with Canal+ in France are other examples of similar ATV concepts that are tested in Europe. However, the open pan-European HbbTV standard — which a vast majority of smart TVs sold in Europe carry — is the main market differentiator.

HbbTV provides broadcasters with a controlled environment for implementing ATV — at scale. In short, HbbTV provides an infrastructure for TV stations to merge the traditional broadcast signal with digital technology. Advanced ATV solution providers use this technology to capture real-time viewing data on a one-to-one device basis and serve targeted digital ads into the conventional broadcast stream.

Apart from ATV solutions that require proprietary infrastructures, the concept of ATV across Europe is far more broad. ATV, in the European context, is often seen as marrying the best of traditional TV advertising with the best of digital advertising, and most often entails the delivery of one-to-one, real-time advertisements into the conventional linear TV signal. In essence, ATV describes one thing, which is the capability to deliver targeted TV advertising on a one-to-one device basis.

The diverse delivery methods of premium TV content have, however, led to a blurry use of the term. Generally speaking, we can classify four different types of ATV — in terms of delivery methods — as outlined below.

smartclip Addressable TV

Online TV Catch-up / Non-linear	OTT Live linear	Free-to-Air Broadcast Live linear	Managed Broadcast TV Platform Live linear
On-demand access to non-linear TV content • • • Applications / web services TVNOW, Salto, LovesTV	Online service giving access to live linear TV offering • • • Applications / web services Zattoo, Pluto TV, waipu.tv	Broadcast distribution with HbbTV standard • • • Conventional TV reception via cable, antenna, or satellite dish	Via propriety infrastructure requiring operator set-top-boxes • • • Usually requires subscription with TV service provider (e.g., IPTV service, telco, pay TV operator)

1. **Addressable Online TV:** ATV in online environments, such as broadcaster catch-up platforms and other VoD services, is technologically not different to in-stream video advertising. However, when it is offered in combination with premium TV content and targeting capabilities based on TV data then it is considered to be addressable, whether it be in a mobile app or on desktop via browser.

2. **Addressable OTT TV:** Over-the-top (OTT) services provide access to linear broadcast TV bundles via desktop, mobile, or smart TV applications. Thanks to the digital nature of OTT, Server-Side Ad Insertion (SSAI) technology makes it possible to exchange and insert spots on the fly within linear live broadcasting.

3. **Addressable Free-to-Air Broadcast:** The extensive deployment of the HbbTV standard in Europe, enables ATV advertising in open and non-proprietary TV ecosystems. DTT/Antenna is one of the continent's most prominent ways of consuming TV and supports HbbTV in most markets. Satellite distribution and many TV cable operators also support the HbbTV standard.

4. **Addressable Broadcast TV via managed TV platforms:** Cable operators, telecommunication companies, or pay TV providers (e.g., Sky) mostly require STBs for receiving their linear broadcast TV offerings. Within these closed TV ecosystems, ATV advertising solutions can be enabled via proprietary standards that are closely tied to software and hardware components that are embedded on those devices.
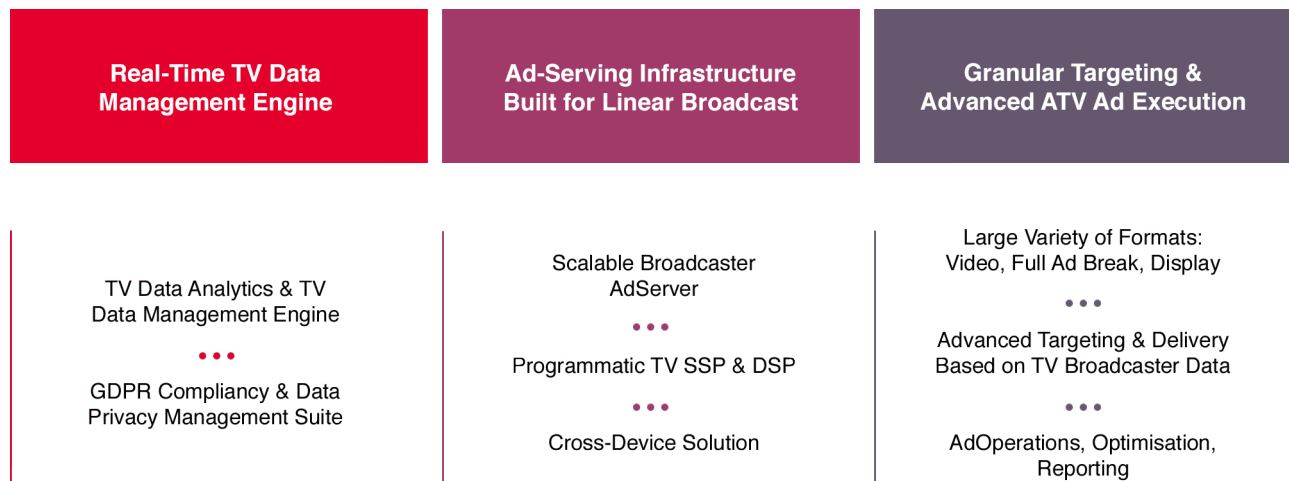
Addressable Broadcast TV via HbbTV is one of the biggest opportunities for European broadcasters as it enables them to implement ATV into their core business — live linear broadcast TV through satellite, cable, or antenna.

ATV Solution

ATV Solution for European Broadcasters

smartclip is leading the way in leveraging the HbbTV technology to enable advanced ATV solutions for broadcasters across Europe. With the purpose of strengthening the position of European broadcasters — and TV as an advertising medium — smartclip offers an open, pan-European adtech platform. With the smartclip platform, broadcasters have the tools they need to make all of their content addressable — across platforms and devices. The smartclip platform provides a holistic and scalable ATV solution that includes three main components:

Real-Time TV Data Management Engine	**Ad-Serving Infrastructure Built for Linear Broadcast**	**Granular Targeting & Advanced ATV Ad Execution**

		Large Variety of Formats: Video, Full Ad Break, Display
TV Data Analytics & TV Data Management Engine	Scalable Broadcaster AdServer	• • •
• • •	• • •	Advanced Targeting & Delivery Based on TV Broadcaster Data
GDPR Compliancy & Data Privacy Management Suite	Programmatic TV SSP & DSP	• • •
	• • •	AdOperations, Optimisation, Reporting
	Cross-Device Solution	

1. Real-Time TV Data Management Engine (DME)

Since data is the cornerstone of addressability, the smartclip TV Data Management Engine (DME) is the backbone of the platform. The DME taps into the HbbTV technology to provide broadcasters with more granular layers of TV data than ever accessed before. The way in which the DME collects and aggregates TV data is fully compliant with European data privacy regulations.

Live audience   Regional audience   Reach by programme

Reach by time   Top programmes

Broadcasters that integrate the smartclip ATV technology, gain 24/7 access to a web-based data dashboard that provides real-time linear broadcast TV data on a one-to-one device basis, with insights on audience reach and viewing behaviour for each channel. Data that can be accessed via the smartclip platform includes but is not limited to:

- **Live data:** Real-time data on the number of unique TV devices that are tuned in to a specific programme.

- **Regional data:** Data on audience reach (by unique TV devices or sessions) can also be broken down by regions for any given period of time.

- **Reach by programme:** Data on audience reach is also applied to programmes and can be used to gain visibility into the number of devices that have viewed a specific programme at a specific airing time. With this data, the reach of a programme with different airing times can be compared and used to optimise TV scheduling.

- **Retention time:** Data on the average duration in which a specific TV device viewed a specific TV channel during any given period of time.

- **Aggregated reach:** Data on unique TV devices and sessions generated by each TV device for any given period of time. "Sessions" describe the average number of times a TV device tuned in to a specific channel in a given month. For instance, broadcasters are able to know precisely how many unique TV devices have watched a specific broadcast channel within the last month.

2. Ad-Serving Infrastructure Built for Linear Broadcast

The smartclip ad-serving infrastructure is specifically designed to cater to the needs of broadcasters across Europe. Below, are the most important features of the smartclip ad-serving infrastructure.

Data Privacy Considerations

A critical topic of importance for European broadcasters is the General Data Protection Regulation (GDPR)[9] and ePrivacy Directive.[10] Data privacy is designed and built into the smartclip platform infrastructure. Broadcasters that enable the smartclip ATV technology, can rest assured that the platform is fully compliant with GDPR and is officially recognised as being a data privacy-compliant solution. Additionally, the smartclip platform is designed to be able to factor in new ePrivacy Directives, which will be necessary in the near future.

Scalable Ad-Serving Infrastructure Built for TV

One of the unrivalled strengths of traditional broadcast TV is the massive scale and reach that broadcast offers — especially during peak time slots when programmes reach significant audience shares. For example, during prime time, a massive amount of traffic hits the ad server in a short period of time. The ad server load at this point is significantly higher than what is seen in the online world, and requires a stable ad-serving infrastructure.

9 More information on GDPR requirements across the EU can be found at https://ec.europa.eu/info/law/law-topic/data-protection_en

10 More information on ePrivacy regulations across the EU can be found at https://ec.europa.eu/digital-single-market/en/online-privacy

The smartclip platform is specifically designed to withstand the scale broadcasters deliver.

Integration with Traditional TV Infrastructure

The smartclip ATV solution is integrated into the traditional TV infrastructure by means of flexible APIs — enabling full functionality within any kind of broadcasting infrastructure. This integration incorporates existing broadcast processes like TV scheduling and ad management, as well as the business rules attached to programmes and ad breaks. This level of integration is fundamental for combining digital with traditional TV planning, as well as building future-proof ATV advertising products.

3. Granular Targeting & Advanced ATV Ad Execution Capabilities

Audience targeting is a basic standard for digital video distribution channels such as OTT or mobile/desktop devices, as these devices are essentially based on internet technologies. For traditional broadcast TV, however, audience targeting provides new opportunities that complement traditional TV flights by allowing advertisers to target more narrowcast viewer segments. The smartclip platform enables advertisers to use the same degree of targeting capabilities common to digital environments in linear broadcast TV. Below, are the most popular smartclip ATV targeting capabilities and ad formats with use cases.
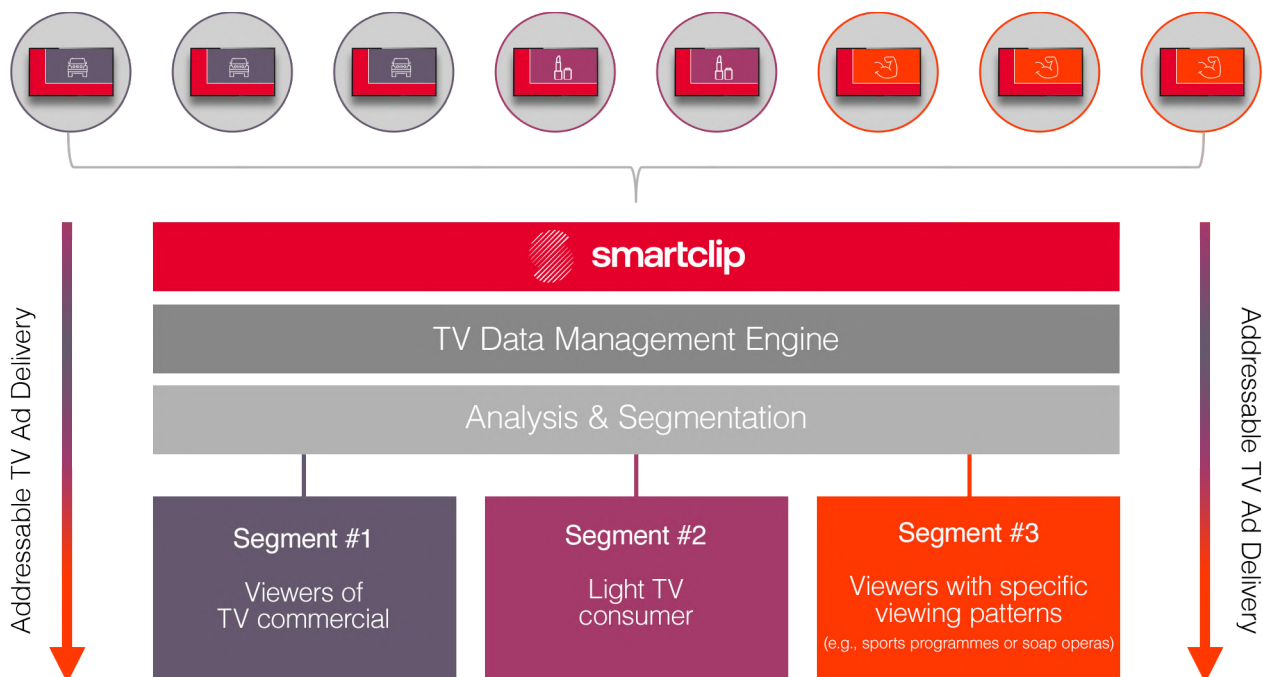

Schematic diagram of creating sample targeting segments via the smartclip ATV platform

Behavioural Targeting

One of the major targeting features offered by the smartclip ATV platform is targeting based on viewing behaviours. The most widely used behavioural targeting segments include:
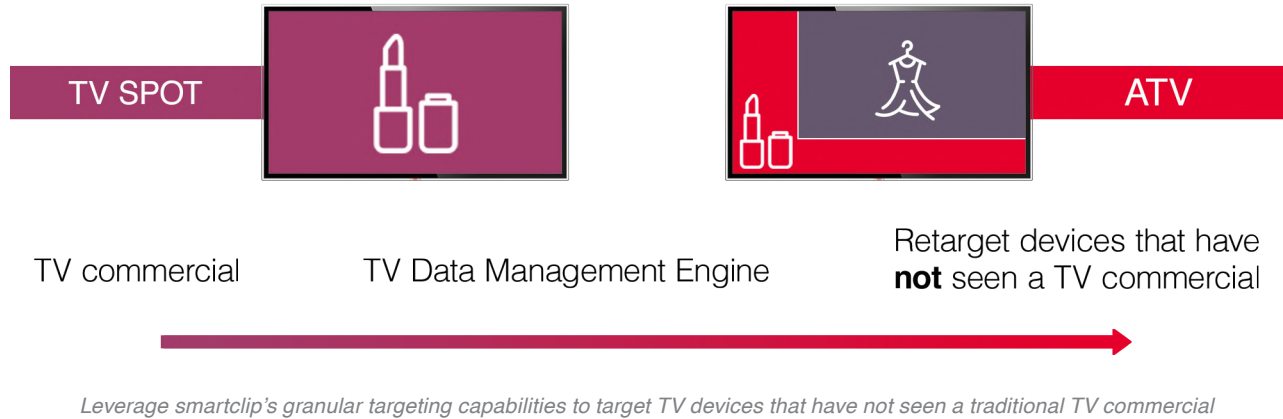
- **TV devices with light or high TV consumption:** This includes TV devices with lower or higher TV consumption than average. For example, smartclip's segmentation and incremental reach features can help advertisers connect with consumers who are less likely to be exposed or who are underexposed due to light TV consumption.

- **TV devices that have seen certain TV programmes:** This includes TV devices that were tuned in to specific TV shows. For example, data on consumption of TV shows with sports content can be used to target consumers interested in sports.

TARGETING BY
VIEWING BEHAVIOUR
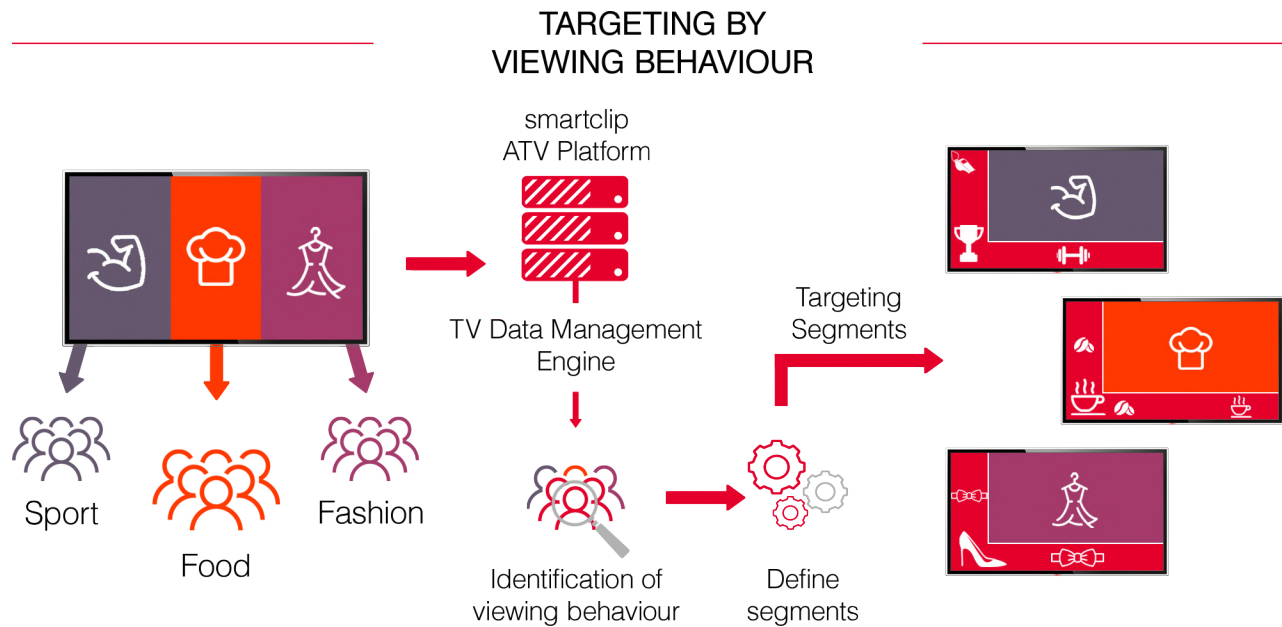
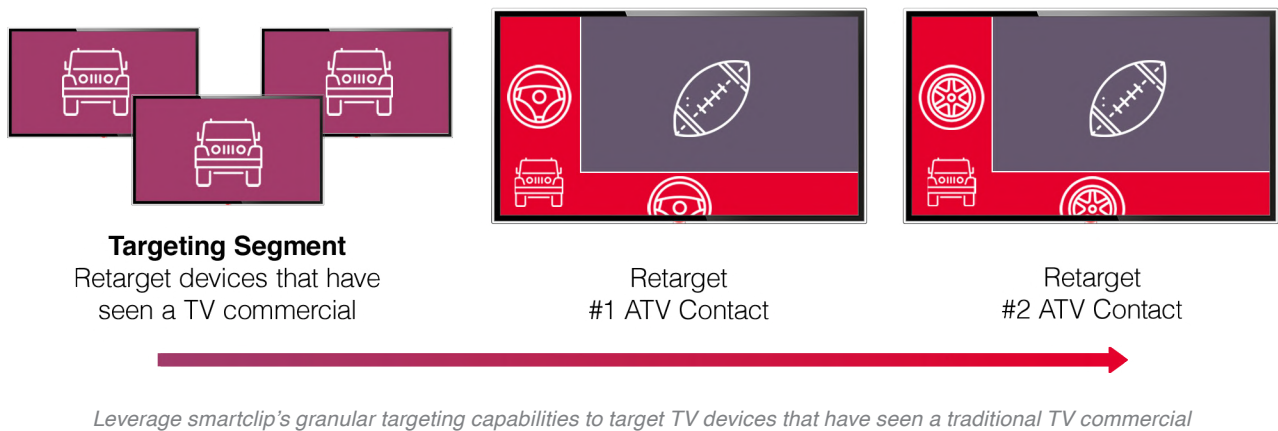smartclip's granular targeting capabilities enable advertisers to target TV devices based on viewing behaviour

- **TV devices that have seen a specific TV commercial:** This involves identifying all TV devices that were tuned in during the airing of a specific TV commercial. By applying what we refer to as "negative targeting" in the campaign setup, advertisers can target all TV devices that were not tuned in during the delivery of a specific TV commercial.

INCREMENTAL REACH VIA NEGATIVE TARGETING

| TV SPOT | | ATV |

TV commercial   TV Data Management Engine   Retarget devices that have **not** seen a TV commercial

Leverage smartclip's granular targeting capabilities to target TV devices that have not seen a traditional TV commercial

- Advertisers can alternatively apply "positive targeting" to target all TV devices that were tuned in during the delivery of a specific TV commercial.

STORYTELLING VIA POSITIVE TARGETING

Targeting Segment
Retarget devices that have seen a TV commercial

Retarget
#1 ATV Contact

Retarget
#2 ATV Contact

Leverage smartclip's granular targeting capabilities to target TV devices that have seen a traditional TV commercial

- **TV devices with certain attributes:** The data on viewing attributes of TV devices give insight into the household combination. For example, households that include parents with children can be identified by viewing attributes such as children's TV shows during morning hours, female programmes in the afternoon, and sports programmes on Saturday afternoons.

Geo-Targeting

Geo-targeting is a common tactic used in digital marketing (and a major USP of ATV), which involves delivering different ads/content to consumers based on their geographic locations. Advertisers can apply this common digital marketing tactic within the HbbTV environment. More specifically, smartclip's geo-targeting capabilities enable advertisers to geographically target TV viewers by region (e.g., postal code, city, urban area, or even a larger part of the country). For example, nationwide companies that offer region-specific products (e.g., retailers) or events (e.g., festivals), or even services that are only available in urban areas (e.g., car sharing/car clubs, food delivery), can now deliver distinct messages to viewers in different locations or based on other criteria. Wherever prospective customers live, advertisers can efficiently reach them via HbbTV with smartclip's geo-targeting capabilities.
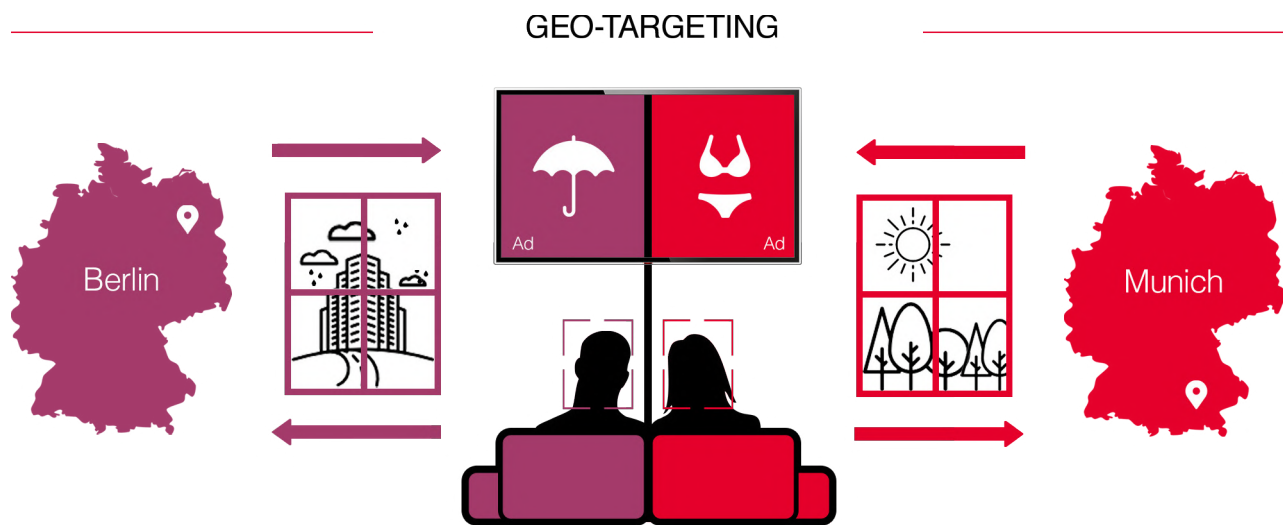
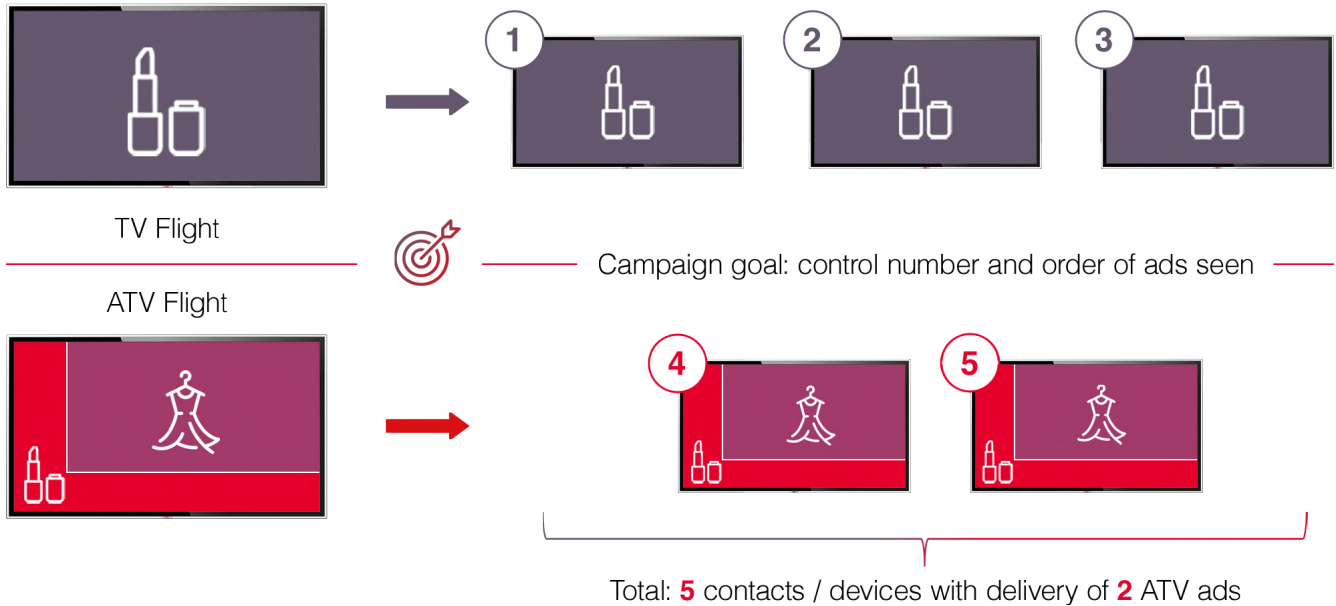*Leverage smartclip's geo-targeting capabilities for regional targeting*

Advanced ATV Ad Execution Capabilities

Frequency Management & Ad Sequencing

Frequency capping and ad sequencing are also common tools and tactics used in digital marketing, which can be applied to traditional linear TV advertising with the smartclip platform. smartclip's frequency management and ad sequencing capabilities give advertisers complete control over the number of times a viewer sees an ad and the order in which different ad creatives are delivered — down to a device-specific level.

More specifically, frequency capping allows advertisers to control the contact frequency of an ad over any given period of time, which enables them to optimise ad spend and exposure — resulting in more efficient campaigns with extended reach and a better viewer experience. In conjunction with controlling for ad frequency, advertisers can also use smartclip's ad sequencing capabilities to define the exact number of different ads in a single TV flight and the order of delivery. This allows advertisers to effectively build a storyline of episodic-type ads — creating more brand awareness and greater ad impact.
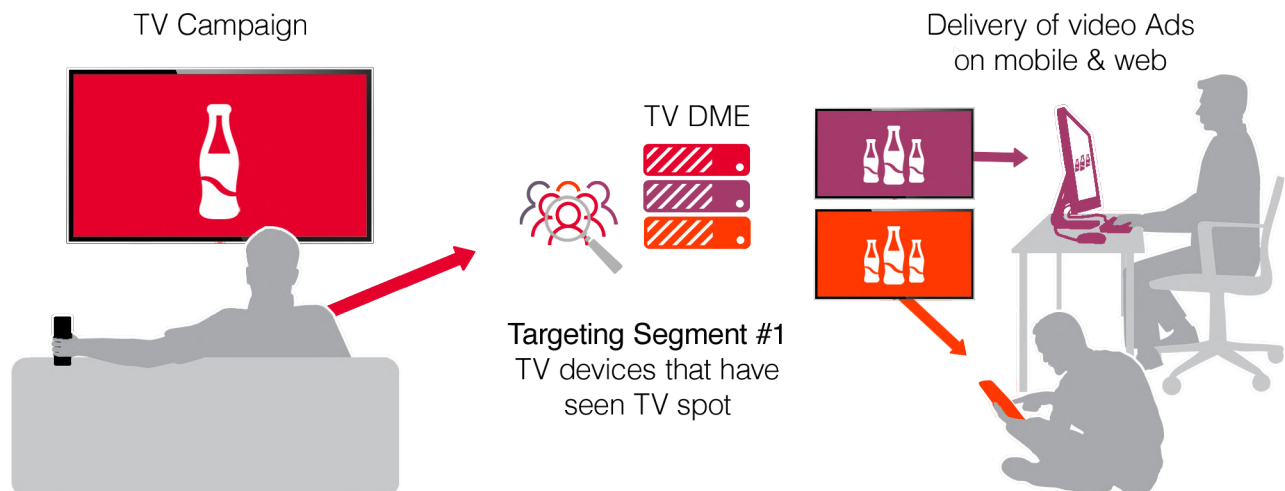
USE CASE: MANAGEMENT OF CONTACT FREQUENCY

TV Flight

ATV Flight

Campaign goal: control number and order of ads seen

Total: **5** contacts / devices with delivery of **2** ATV ads

Cross-Device Targeting

smartclip's cross-device targeting capabilities is a proprietary and groundbreaking feature within the smartclip solution, as it enables advertisers to serve targeted ads to consumers across multiple devices within the same household — effectively merging the worlds of traditional TV with digital delivery and planning. The smartclip platform uses a device-matching algorithm to mine data aggregated by the DME. The TV acts as the anchor device, while other devices (e.g., mobile phones, desktop computers, and tablets) are linked to the TV based on various attributes. A household device graph is created, which maps out individual devices that belong to a single home. This allows advertisers to tie individual attributes across devices to a single household.

CROSS-DEVICE TARGETING

TV Campaign

Delivery of video Ads on mobile & web

TV DME

Targeting Segment #1
TV devices that have seen TV spot

Leverage smartclips cross-device capabilities to connect traditional TV campaigns with digital video on mobile and desktop devices

Addressable TV Ad Formats

The smartclip ATV solution includes a creative suite that streamlines the execution of different addressable ads at scale — covering both display and video ad formats. The L-shaped display ad format was the first to be introduced to European TV markets and is naturally the most widespread. However, since the TV commercial ad break remains the core business for European broadcasters — generating the largest share of revenue — new addressable video ad formats used within the traditional commercial break are recognised as a massive opportunity for the broadcast industry.

Since regulations, business models, and technology vary across European TV markets, smartclip offers broadcasters full flexibility to select ad formats based on their unique market demand.

Addressable Display Ad Formats

Display ads have been the most widely embraced ad formats for broadcasters across all major European TV markets. There are various types of display ad formats, however, the L-shaped display ad has been the format of choice for many European broadcasters and advertisers.

SAMPLE USE CASES ACROSS EUROPE

| Spain | Germany | France | Italy |

Since the L-shaped ad format lives outside the ad break, it does not interfere with TV broadcast content, which enables broadcasters to open up new ad inventory to the advertising market and, in turn, generate new revenue. At the same time, advertisers get access to premium TV content as ads are exclusively placed within TV programmes. This means advertisers enjoy the added benefits of high visibility and brand exposure while being able to leverage digital targeting capabilities.

smartclip is leading the way in terms of developing and implementing new display ad formats to meet the evolving needs of advertisers. SwitchIn Zoom and SwitchIn Masthead[11] are prime examples of how smartclip is not only ahead of the game in introducing novel ad formats to linear TV but also how smartclip is constantly innovating to meet the needs of clients.

INNOVATIVE DISPLAY
AD FORMATS

SwitchIn Zoom
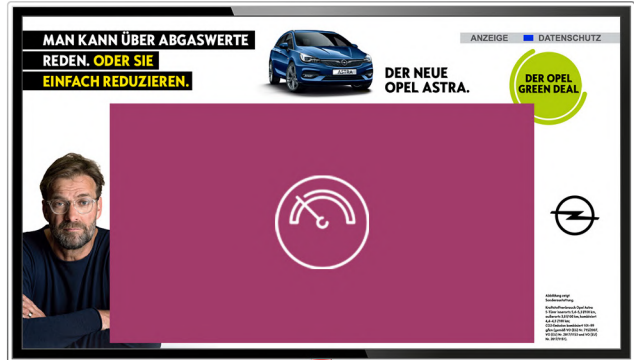
SwitchIn Masthead

Addressable Video Ad Formats

smartclip is at the forefront of providing state-of-the-art technology for ATV video advertising. The very first trials with inserting video ads into the linear broadcast stream were carried out by smartclip in 2017.[12] The smartclip ATV solution utilises a proprietary Dynamic Ad Insertion (DAI) technology to deliver targeted video ads into the live broadcast stream. This allows broadcasters to more efficiently reach niche target groups and maximise video ad revenue.

Single Spot

smartclip offers Single Spot (also commonly referred to as Target Spot) capabilities, which enable broadcasters to define specific placements for one spot within the content or also as last position of an ad break for delivering a single addressable video ad into the broadcast stream.

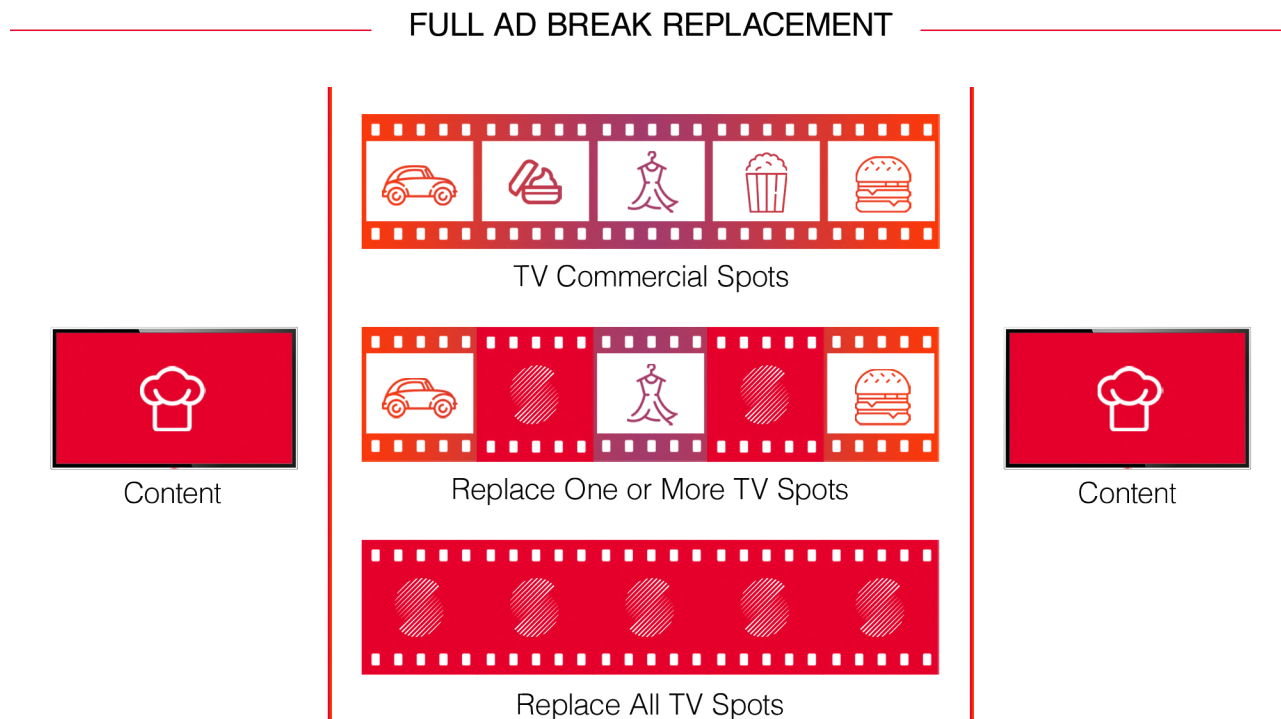## SINGLE SPOT

Content   TV Commercial Spots   DAI   Content

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12 "Mediengruppe RTL und Ferrero feiern mit Spotaustausch im linearen TV Deutschlandpremiere", IP Deutschland, retrieved 4 December 2019 from https://www.ip.de/unternehmen/presse/pressearchiv/presse-meldungen_2017/ready_fuer_hbbtv_20.cfm, "El Cartel Media startet neuartige Addressable TV-Spots im linearen TV", El Cartel Media, retrieved 4 December 2019 from https://www.elcartelmedia.de/p/vermarktung-addressable-tv-neue-werbeform-switch-in-spot

Full Ad Break Replacement

smartclip also enables the complete addressability of any placement within the ad break — a new and exciting opportunity for both advertisers and broadcasters. Broadcasters are able to define specific positions within the ad break for ATV spots and can essentially use the entire ad break for ATV advertising. This not only creates new opportunities for yield management of the ad break but also sets the stage for new advanced concepts of TV advertising.

FULL AD BREAK REPLACEMENT

TV Commercial Spots

Content

Replace One or More TV Spots

Content

Replace All TV Spots

State of ATV
Across Europe
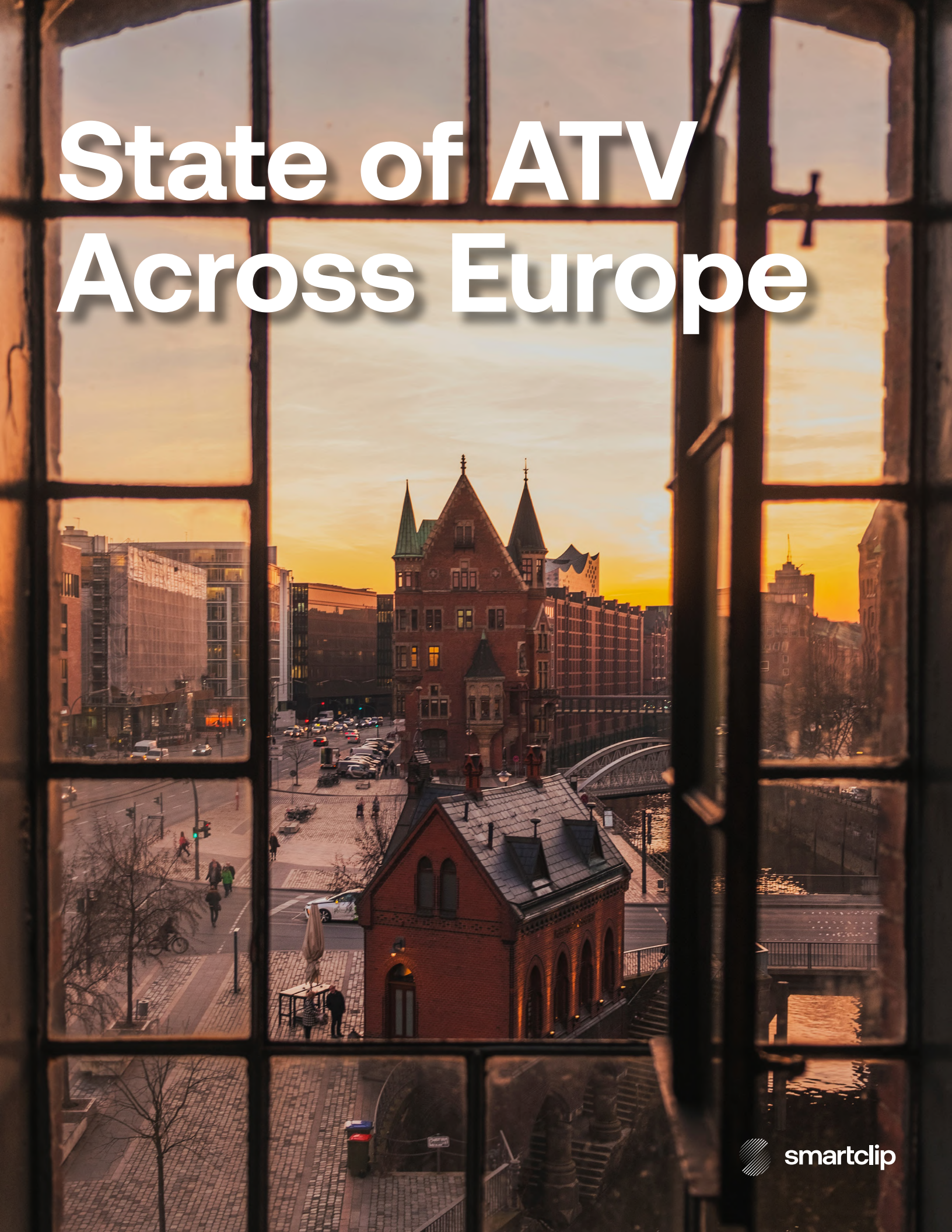
State of ATV Across Europe

As demonstrated in previous sections, ATV advertising does not refer to one specific use case or creative format and therefore varies in its scope of application for broadcasters. Broadcasters in different countries across Europe may leverage different benefits and business models when implementing smartclip's ATV advertising solutions. Furthermore, country-specific advertising regulations concerning data privacy may further influence the scope of implementation.

> "ATV solutions represent an incredible opportunity for our international clients willing to communicate locally in a highly premium and brand-safe environment. This will allow them to hyper-target their campaign, gain huge efficiency and propose a better advertising experience to their customers."
>
> — Stéphane Coruble, Managing Director at RTL AdConnect

Leading ATV Solution Across Europe

The smartclip ATV platform is currently used by leading broadcasters across Europe. This chapter provides insights captured from interviews with senior industry executives who provide details on ATV trends and opportunities, hurdles, and forecasts for each respective market.

FRANCE

- smartclip ATV launched in 2018
- smartclip ATV platform enabled with all channels of Groupe M6

- First video ad replacement executed in 2019

NORDICS & BENELUX

- First ATV trials in progress

SPAIN

- smartclip ATV launched in 2019
- smartclip ATV platform enabled with all six channels of Atresmedia

- The smartclip cross-device product has been a huge succes with dozens of campaigns already executed

GERMANY

- smartclip ATV launched in 2016
- 18M unique TV's reached on a monthly basis via smartclip ATV platform
- More than 20 TV channels use smartclip ATV technology

(selection of clients)

- Dozens of ATV campaigns executed every month

ITALY

- smartclip ATV launched in 2017
- Since then more than 15 TV channels have been connected to smartclip platform

- More than 100 campaigns with major clients have been executed

Germany / D-A-CH

"German broadcasters benefit significantly from the growth of Addressable TV, as it is the most effective way to counter digital giants. The combination of TV reach and digital infrastructure is the foundation for a true cross-device strategy — a powerful USP. Broadcasters also benefit from additional revenues as ATV advertising lowers entry barriers for regional and small business clients."

— Dr Oliver Vesper, Co-CEO & Managing Director at
smartclip Europe

Trends & Opportunities

ATV is seen as the biggest and most important growth opportunity for TV advertising in Germany, as well as in Switzerland and Austria. The biggest broadcasters are already on board and see ATV as an effective means to stabilise TV revenues, respectively win back revenue shares from Google and Facebook, and eventually make TV commercials addressable (i.e., full ad block replacement). This is the most advanced TV market in terms of ATV revenues and executed campaigns.

Hurdles

Despite the success of ATV in this market, there are still some hurdles. While HbbTV is considered a pan-European technical standard, its implementation across various smart devices is not consistent and requires considerable efforts to test new features and products such as DAI. Additionally, there are some hurdles that persist due to traditional organisational structures within media agencies, which tend to divide TV and digital teams. With the merge of TV and digital, these functional silos create a number of barriers in terms of allocating ATV budgets and responsibilities. This often leads media agencies to inefficient and erroneous client consulting. Also, there is currently a clash between impression-based digital currency and gross-rating-point-based TV booking when replacing entire video ad blocks. Finally, there are still policy discussions underway, especially those surrounding how and if ads delivered into broadcast TV streams can target certain regions or cities.

Future Predictions

Senior industry executives forecast a growth in ATV advertising revenue of 50% by the end of 2020. Once proper regulations are in place, planning security in the market is expected to bring even more clients to ATV.

Italy

"With the momentum we have witnessed in the Italian market, I believe Addressable TV advertising will become a valuable aspect of standard media planning."

— Giuseppe Bronzino, Managing Director at smartclip Italy

Trends & Opportunities

Overall the Italian market is reacting positively to ATV advertising. While ATV is still considered to be in its infancy, it is slowly starting to gain traction thanks to ATV enabling technologies. Many major broadcasters in Italy have already started efforts to enable the addressability of their content. However, not all Italian broadcasters have fully embraced it as they tend to rely heavily on traditional strategies and are slow to experiment with new technologies.

Hurdles

Broadcasters are reluctant to open their inventory at scale. This is mainly due to traditional strategies and a lack of understanding and awareness. Additionally, there is still a significant number of TV devices that do not support the protocol (there are roughly 5 million HbbTV enabled devices out of 40 million total TV devices in Italy).

Future Predictions

Despite slow adoption and technological barriers, broadcasters have seen positive outcomes and senior industry executives forecast a growth in revenue for ATV in the Italian market by four times in 2020.

France

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"Due to a strong regulation preventing TV broadcasters from operating Addressable TV in France, U.S. digital giants have captured significant revenues, especially on local budgets. With the expected evolution of the regulation, TV broadcasters have a great opportunity of bringing back these budgets, to an advertising environment that is premium quality, brand-safe and now addressable. This is a great step for the TV industry to gain back a competitive advantage over foreign players."

— Hortense Thomine-Desmazures, Deputy Managing Director in charge of Digital at M6 Publicité

Trends & Opportunities

ATV in France is often referred to as "Segmented TV". Interest is growing significantly now that a legislative regulation that once limited ATV execution is expected to change in April 2020. As this has been a major topic in local press within the industry, awareness and understanding has also increased significantly. Despite existing legal barriers, major broadcasters have been allowed to engage in proof-of-concept tests for ATV in linear broadcast, which has also advanced industry knowledge and interest.

Hurdles

A legislative regulation from 1992, which states that the live TV feed should contain the same advertisements for all households, has been the main barrier for ATV in the French market. At present, smartclip offers the only legal ATV advertising solution in which L-shaped display ads, which wrap the broadcast content, is delivered into the broadcast stream and does not change the content/programme or overlay the signal.

Future Predictions

The French broadcasters' union predicts[13] a growth in revenue of 222M€ by 2022 if geolocalisation is authorised and a growth of 80M€ by 2022 if only ad replacement with data targeting is authorised. A separate study[14] conducted by Oliver Wyman predicts that the real market of segmented television could rise between 120M€ and 220M€ in 2023. However, they noted that the potential could be reassessed at more than 370M€ if favourable legislative conditions are met, and among them a more flexible regulation around the mention of address.

13 "Pub télé « adressée » : un surcroît de revenus de 200 millions", SNP TV, retrieved 30 December 2019 from https://www.snptv.org/veilles/pub-tele-adressee-surcroit-de-revenus-de-200-millions/

14 "L'avenir de la publicité segmentée en France", Oliver Wyman, retrieved 30 December 2019 from https://www.oliverwyman.fr/content/dam/oliver-wyman/europe/france/fr/Publications/Avenir-de-la-publicite-segmen-tee-en-France_Etude-Oliver-Wyman_2019.pdf

Spain

> "There is an immediate need to modernise TV advertising strategies, and we see Addressable TV advertising as a way forward. With the recent advances surrounding HbbTV in Spain — such as new legislation forcing TV devices to be HbbTV 2.0 compliant and the launch of the first Addressable TV advertising campaigns in Q4 2019 — we believe 2020 will be an inflection point for ATV in the Spanish market."
>
> — Arturo Larraínzar, Strategy Director at Atresmedia

Trends & Opportunities

Even though implementation is still in its infancy, ATV is recognised as an opportunity to strengthen broadcasters' core business. While digital advertising solutions via OTT and connected TV are slow to be adopted, ATV over HbbTV within the traditional linear broadcast stream is showing early signs of success.

Hurdles

Legal barriers concerning data privacy and the obscure convergence of traditional TV advertising regulations with digital advertising regulations complicate the widespread adoption of ATV solutions. There is also a general lack of market knowledge on ATV targeting capabilities.

Digital ATV solutions such as ad switching within live OTT streaming is still underdeveloped. As a result, broadcast content is not currently monetised within digital environments other than ad insertion in the form of pre-rolls within catch-up platforms.

While there have been some technical hurdles for ATV dissemination via HbbTV technologies, this is expected to be less prevalent in the near future as successful lobbying has led to legislation that will force TV manufacturers to produce TVs that carry the HbbTV 2.0 standard starting in April 2020.

Future Predictions

Senior industry executives forecast a growth in ATV advertising revenue of 30-50% by the end of 2020, with the expectation that more digital display budgets will be allocated to ATV advertising. The prospect of video ad insertion for linear broadcast TV further bolsters the outlook of ATV for the Spanish market.

United Kingdom

"Addressable TV at scale is now within the grasp of all broadcasters. If owning your own set-top-box tech was the price of entry before, the advent of HbbTV has significantly altered the landscape and the technology required, fundamentally changing the type of players who can take part. Alongside smart TV tech such as that used in the U.S. in Project OAR, we're now at advent of an addressable TV age in which all broadcasters can play a part. This is a step change that puts broadcasters in the driver's seat for delivering game-changing addressable solutions."

— David Fisher, Vice President of Advanced Advertising at Discovery Inc

Trends & Opportunities

The UK ATV market is considered to be highly advanced. However, the market is dominated by proprietary solutions. For example, Sky is driving the market with extensive investments and developments in SkyAdSmart. Sky's recent partnership with Virgin Media is a major step towards increasing reach outside the Sky ecosystem. Since SkyAdSmart requires the Sky infrastructure and technology embedded on Sky set-top boxes in order to work, this leaves room for the development of open solutions for free-to-air broadcast. Open technologies like HbbTV are beginning to step into the spotlight and are steadily increasing their footprint. Although HbbTV is not currently used for TV advertising, Freeview TV — the largest local platform for free-to-air TV — utilises HbbTV for content applications and creates an opportunity for more open ATV solutions.

Hurdles

Strict legislative regulations prevent the use of ATV display formats so only video ad formats are used in the UK. Additionally, broadcasters fear that viewers would perceive display formats in a traditional TV viewing environment to be too intrusive. Broadcasters are also sceptical of whether there is sufficient demand from advertisers for alternative formats.

Future Predictions

SkyAdSmart is clearly setting the pace for ATV in the UK market. However, broadcasters do see the need to explore alternatives. For example, use of the HbbTV technology by Freeview and similar strategies used in OTT by BritBox, is proof that broadcasters understand the importance of independent and technologically aligned TV advertising products and strategies. This may drive investments in adtech and ATV advertising, as ATV via HbbTV can be a useful tool for British broadcasters to future-proof their business model and expand into digital advertising. The rapid development of video-based ATV formats via HbbTV could also help foster explosive growth for ATV.

Nordic Countries

"Both broadcasters and operators will greatly benefit from the growth opportunity of Addressable TV in Nordic TV markets. Our biggest challenge is to create a commercial model that directly rewards operators for providing broadcasters with access to their inventory. Collaboration on this is crucial for the long-term growth and success of both."

— Jonas Rundgren, Managing Director at smartclip Nordics

Trends & Opportunities

All Nordic markets recognise the potential for ATV, but there are limited real-world examples of this in operation as broadcasters and operators/telcos are yet to formally collaborate. This may change if/when Telia completes the purchase of Bonnier Broadcasting (TV4). Negotiations between broadcasters and operators are crucial to unlocking the ATV opportunity in Nordic countries. Vertical consolidation will open up new opportunities where a single entity has a sales team, content, and access to consumers (e.g., Telia buying TV4).

Hurdles

As described above, the role of the telcos and their lack of advertising experience creates the largest barrier for Nordic markets. Collaborations are difficult as they raise uncomfortable questions in the usual dynamics between negotiating a carriage fee. Additionally, HbbTV penetration is very low in the Nordics compared with other EU markets, with the exception of Denmark where there have been active discussions. Operators control most of the access to the TV signal, and to date, they have yet to pursue an explicit ATV strategy.

Future Predictions

Senior industry executives are hopeful that some of the challenges listed above will be overcome and expect ATV to become an important part of the media mix for TV buying in the near future.

Benelux

"

"Addressable TV will bring a new revenue line for all stakeholders in the TV industry. Most importantly, the end consumer will benefit from more relevant and impactful commercials."

— Marco Ruivenkamp, Managing Director at smartclip Benelux

Trends & Opportunities

While ATV is still in its infancy in the Benelux, it is seen as a promising opportunity as broadcasters and operators are actively exploring ATV solutions. Like all other markets, advertisers are looking for more targeted and advanced advertising solutions and ATV is a compelling offer. From a technological perspective, the Benelux market is fully capable of advancing ATV advertising at scale and both broadcasters and operators have already begun trials.

However, the biggest challenge lies in the fact that broadcasters and operators need to work together in order to achieve scalable ATV concepts. A number of broadcasters have slowed down the process, due to conversations surrounding data sharing with and from operators. At the same time, closer collaboration between broadcasters and operators on ATV technology solutions could be one of the biggest opportunities in the Benelux. The longer broadcasters and operators wait, the bigger the chance they have of losing advertising market share to digital giants like YouTube or big OTT platforms.

Hurdles

Despite the fact that the TV ecosystem and supporting technology is fully ready to embrace ATV advertising, there are still a few significant barriers. Firstly, there is currently friction between operators and broadcasters, who do not want to share their data out of fear of losing money. This issue will persist until new business models are developed that create a more balanced win for both parties. Negotiations are currently taking place, but senior industry executives predict it will still take some time until strategic moves are made.

Another significant hurdle is the growing public interest in the GDPR and negative perceptions concerning the use of customer data. It has become particularly important to find favourable solutions for how data is handled, as well as the process for communicating that to the end user.

Future Predictions

Senior industry executives expect massive growth in ATV advertising but predict it will take at least two more years to overcome some of the existing hurdles. As previously mentioned, trading desks and advertisers are expected to fully embrace it and have expressed excitement of ATV opportunities on the horizon.
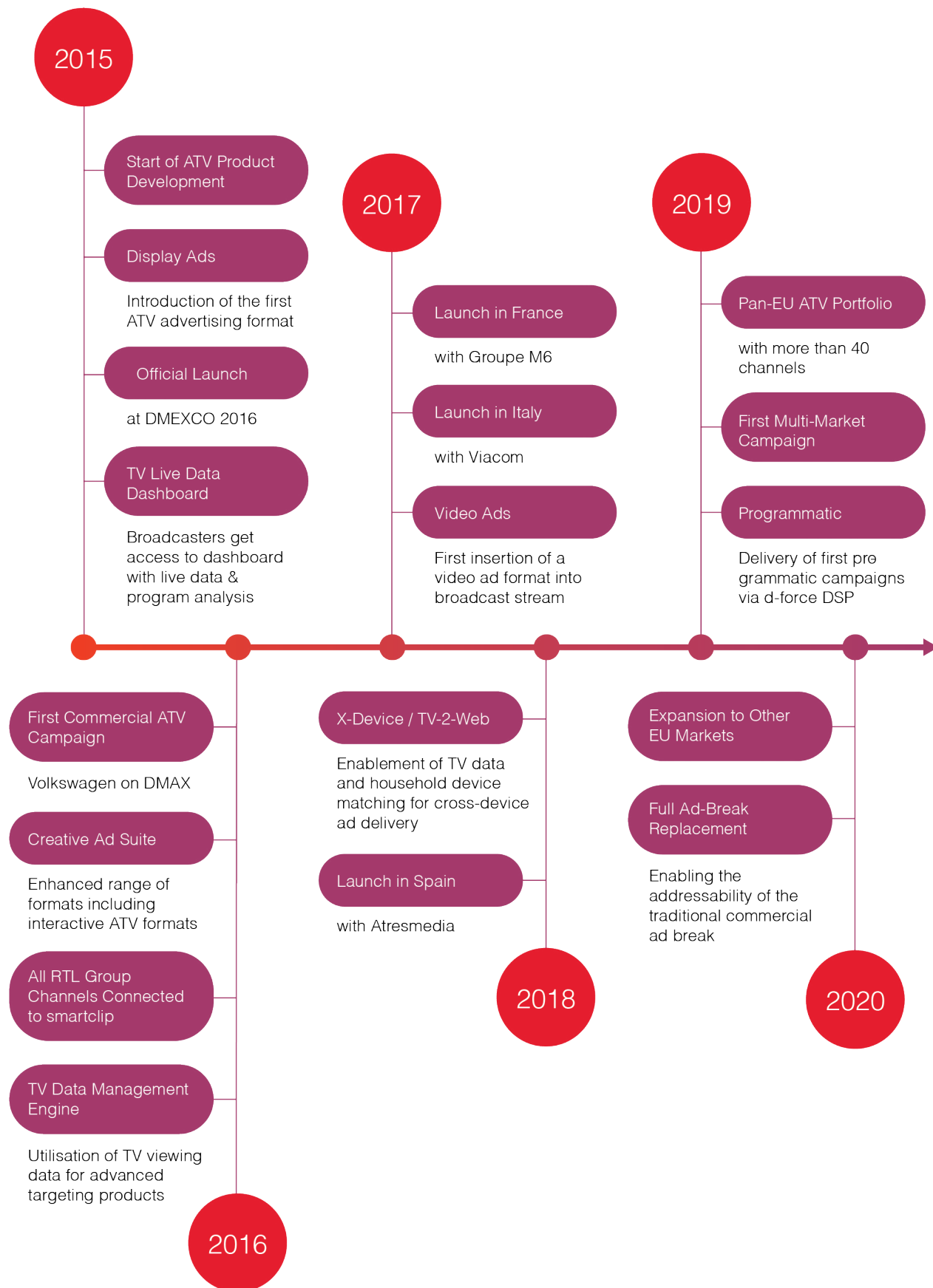
Europe's Leading ATV Platform

Since 2015, smartclip has made unparalleled advances within the European ATV landscape. We began with the introduction of simple ATV display formats on niche channels and grew to become Europe's leading adtech development unit — providing comprehensive ATV solutions to major broadcasters across Europe.

Over the last year, we have witnessed the most impactful strategic and technological advances for the European TV industry. With the recent launch of the d-force DSP (an ATV joint venture between ProSiebenSat.1 and Mediengruppe RTL Deutschland) and the first proof-on-concept for full video ad break replacement, ATV represents a massive opportunity for bolstering broadcasters' position now, and in the future.

Our product development timeline reflects our unwavering commitment to continuously find innovative ways to fortify European broadcasters' stance against digital competitors and drive scalable ATV advertising solutions that increase bottom-line growth.

SMARTCLIP PRODUCT DEVELOPMENT TIMELINE

2015

Start of ATV Product Development

Display Ads

Introduction of the first ATV advertising format

Official Launch

at DMEXCO 2016

TV Live Data Dashboard

Broadcasters get access to dashboard with live data & program analysis

2016

First Commercial ATV Campaign

Volkswagen on DMAX

Creative Ad Suite

Enhanced range of formats including interactive ATV formats

All RTL Group Channels Connected to smartclip

TV Data Management Engine

Utilisation of TV viewing data for advanced targeting products

2017

Launch in France

with Groupe M6

Launch in Italy

with Viacom

Video Ads

First insertion of a video ad format into broadcast stream

2018

X-Device / TV-2-Web

Enablement of TV data and household device matching for cross-device ad delivery

Launch in Spain

with Atresmedia

2019

Pan-EU ATV Portfolio

with more than 40 channels

First Multi-Market Campaign

Programmatic

Delivery of first pre grammatic campaigns via d-force DSP

2020

Expansion to Other EU Markets

Full Ad-Break Replacement

Enabling the addressability of the traditional commercial ad break

We Hope That You Decide to Join Us

If you are a European broadcaster looking to enable addressability for your advertisers, please contact us today.

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About smartclip

At smartclip, we are shaping the future of video and TV advertising. Our proprietary technology empowers advertisers and agencies with true cross-screen storytelling on all devices, and enables publishers to monetise their content in the most efficient and effective way possible. The smartclip portfolio encompasses best-in-class broadcasters, publishers, and brands that seek to traverse the boundaries of traditional advertising by delivering innovative, premium video ad experiences that propel the industry forward.

smartclip is Europe's largest open adtech development unit designed specifically for European broadcasters and streaming services. As a subsidiary of Mediengruppe RTL Deutschland, smartclip is part of RTL Group — Europe's leading free-to-air broadcaster group. Headquartered in Hamburg, smartclip has offices in Berlin, Munich, Düsseldorf, Gütersloh, Stockholm, Oslo, Helsinki, Amsterdam, Milan and Rome.

For more information, please visit www.smartclip.tv, and follow us on Twitter and LinkedIn.

smartclip

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