TREND REPORT

OTT & TV Anywhere

MEDIARadar's OTT Ad Insights from 2021

The streaming industry has entered a new chapter. There is now an abundance of streaming options. Dominant players like subscription-only Netflix are now facing stiff competition from ad-supported and ad-supported hybrids - (i.e. ads + subscription platforms), such as Hulu & Discovery+. These players and more, have added a new layer of diversity in content, pricing models and advertising options for both consumer and advertiser.

The advertising-based streaming model is still in its early days and in constant flux. How are platforms performing in the world of advertising? In this report, we'll take a dive into MediaRadar's OTT data covering overall OTT and category trends in ad spend.

MEDIARadar

The State of Over-the-Top Media in 2021

Streaming hasn't overtaken linear TV by any means—but it is growing in viewing share.

According to Nielsen, American viewers streamed roughly 15 million years' worth of content in 2021. For context, they spent about 14% more time streaming in the last week of December 2021 than they did at the height of pandemic-related lockdowns in 2020.

Though Netflix originals (e.g. Bridgerton, Squid Game, Great British Baking Show and more) dominated the top 15 programs streamed, Americans had access to more variety of content than ever before. Plus, they could view content for lower prices or free via a variety of ad-supported streaming services (i.e. Tubi) - if they could tolerate advertisements.

Past research indicated that the majority of Americans put a limit on how much they were willing to pay for streaming content, which fell around the $30 price range.

Interestingly, 60% of American Connected TV viewers say they **prefer** ad-supported content compared to paid ad-free services, per SpotX.

Over the last two years, many new over-the-top (OTT) media platforms have entered the market. These services often lean into the advertising-based video on demand (AVOD) model or use a hybrid model which blends lower subscription fees and also serves ads.

Once, Hulu was the go-to AVOD platform. Now, it has competition on all sides. Peacock, HBO Max, Discovery+, Paramount+ and others all serve ads to bring in revenue.

Though these streaming services are technically younger than Netflix and Hulu, they have the foundation and longstanding media relationships from all the years they've produced film and TV content.

Overall, top streaming platforms employ varying strategies when it comes to generating revenue. This is important to note because since there isn't a set industry standard for advertising on these platforms - there can't be a one-size-fits-all look into advertising data across them.

Each platform offers varying types of inventory, demographic targeting etc. which of course affects an advertiser's brand reach, brand lift, and offline lift.

For example, in this report, we cover 5 leading ad-supported platforms all with different varying types of content both in subject and target:

discovery+ Focuses on factual programming drawn from the libraries of Discovery's main channel brands, as well as original series, and other acquired content.

HBO max Streams blockbuster movies, their own original content, as well as series.

hulu Aggregates films and television series from networks including CBS, ABC, NBC, and FX, and produces their own original content.

Paramount+ Is dedicated to live sports, news, and entertainment programming from: CBS, BET, Smithsonian Channel, Comedy Central, Nickelodeon & MTV.

peacock Owned by NBCUniversal, their programming includes live sports, news, TV shows and movies.

In this report, we'll cover:

- Advertiser metrics across the 5 leading ad-supported streaming services
- What drives ad sales in OTT channels
- How OTT channels perform compared to their peers
- Ad load analysis insights across channels
- Trends in ad duration & why it matters
- House Ads trends

These insights and other key findings will help you as you make your media sales strategies and purchasing decisions this year.

MediaRadar Insights

Even though streaming feels completely normal to us, OTT is still young and the use of ads to support platforms is even younger. To clarify what MediaRadar tracks, it's essential to define terms.

MediaRadar defines OTT as video and streaming media provided via the internet without a cable or satellite box. Overall, MediaRadar's data covers both standalone streaming platforms and TV Anywhere viewing from top linear networks. Standalone streaming services are sampled from ad-supported streaming packages, across profiles in the 18-34 and 35-49 TV demos.

The three main OTT models we cover are:

- **AVOD**: Advertising-based video on demand earns revenue from ads. *Ex: [Adult Swim], Stream and Twitch*
- **Hybrid**: This refers to a dual approach between AVOD and SVOD, in which platforms make money from a mix of advertisements and subscriptions (online or cable). ***Ex: Hulu and ESPN+***
- **SVOD**: Subscription-based video on demand services earn money from subscriptions. *Ex: Netflix and Disney+*

Many other OTT models exist, like transactional video-on-demand (i.e. Amazon Instant Video, where users pay for individual viewings), but the three listed above represent the most popular models.

MediaRadar analyzes select hybrid or AVOD models.

Market Overview

Overall, in our analysis we saw upward ad spend trends in OTT - which is unsurprising. OTT Platforms are surging in popularity, arguably initiated by COVID lockdowns. In terms of category spend we're seeing differing trends across categories - which again is to be expected as advertisers in a multitude of categories have been shifting their ad strategies now more than ever.

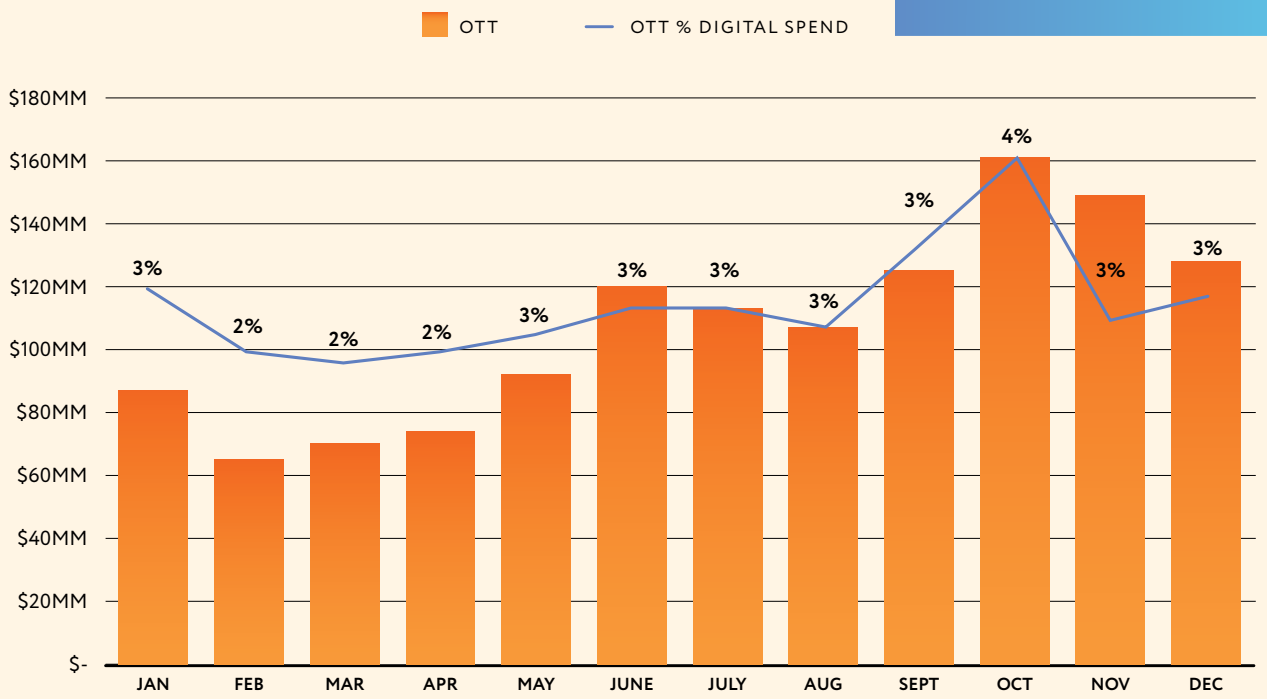
We'll be keeping a close eye on OTT to see if COVID's initial influence continues to affect the market's rise in popularity, or if this was just a blip. It is clear however, that the competition among the leading players will continue, as will their ability to both effectively target the end user leaving the door open for major shifts in the ad sales landscape.

Overall OTT Spend

In 2021, we saw total spend in OTT at approximately $1.3B. On average, OTT represents only 3% of total digital spend per month. However, this market is growing considerably as outlined above.

Monthly OTT Spend

JAN 1, 2021 – DEC 31, 2021



***OTT coverage expanded May, July & August.**

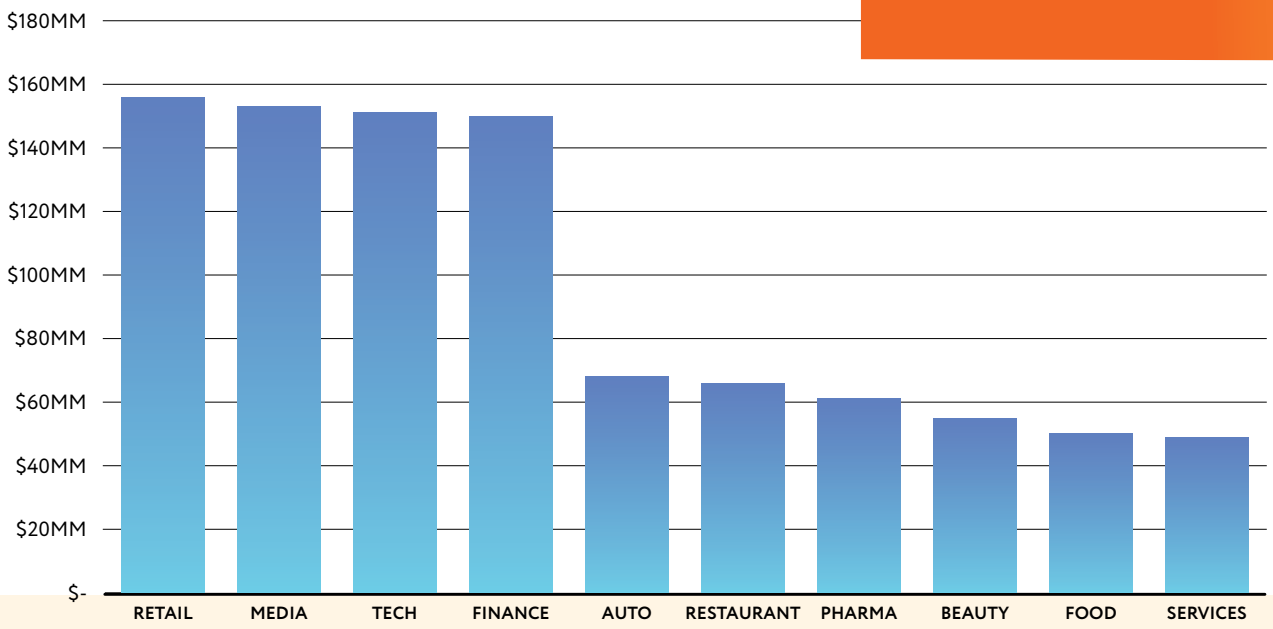
Source: MediaRadar, Inc.

In our monthly ad analysis, we saw both increases and decreases in ad spend - depending on the platform. For instance, Hulu's December ad revenue decreased 48% from November, which was a driver in the overall month decline, while Peacock increased 7% from November, Paramount+ increased 4%, HBO Max 17%, & Discovery+ saw increases in ad spend by an incredible 90%.

Despite December's ad spend decrease, there was an increase of 22% in Q4 over Q3. Q3 spend was down slightly at 2% from Q2, while Q2 spend was up 14% from Q1.

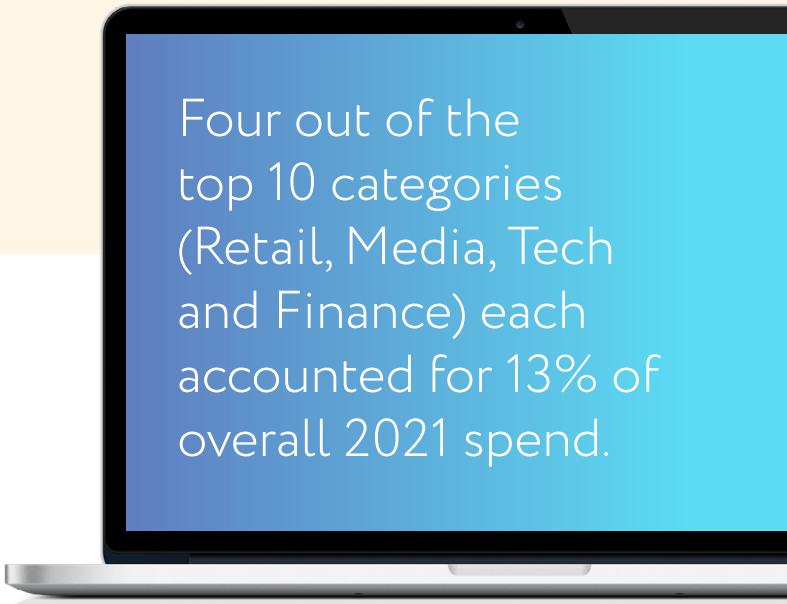
Top Category Monthly OTT Spend

JAN 1, 2021 – DEC 31, 2021



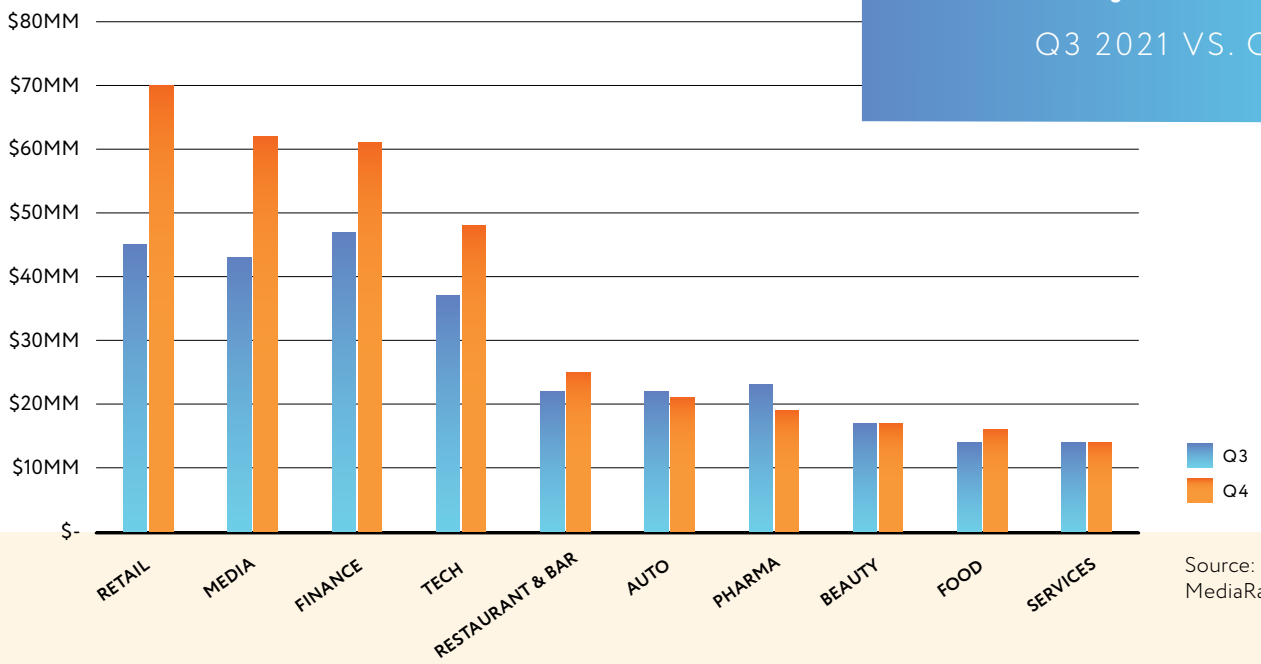
Source: MediaRadar, Inc.

The top ten categories represented 81% of all 2021 category spend. Drilling down even further, we see the 5 top categories (Retail, Media, Tech, Finance and Auto) drove 57% of all 2021 category spend. Four out of the top 10 categories (Retail, Media, Tech and Finance) each accounted for 13% of overall 2021 spend.



Top Category Monthly OTT Spend

Q3 2021 VS. Q4 2021



Source: MediaRadar, Inc.

We took a look at category spend comparing Q3 to Q4 2021. Retail experienced a 57% QoQ increase - the largest of all categories representing 16% of Q4's total spend. Unsurprisingly, Media saw a 46% QoQ increase and accounted for 14% of Q4's total spend. Beauty and Services remained relatively flat QoQ. Auto decreased 4% from Q3 and Pharma decreased 16% from Q3.

Retail experienced a 57% QoQ increase - the largest of all categories

5 Top Ad-Supported Streaming Platforms

Each of the top streaming ad-supported platforms we look at has a unique take on how they position themselves. According to Domenic Dimeglio of Paramount+, the brand has developed an: "…ownable consumer value proposition, live sports, breaking news and a mountain of entertainment." While Discovery's Seth Goren explains the challenge of Discovery's branding: "We've got to explain to consumers, Discovery is more than just Discovery Channel, It's HGTV, it's Food, it's TLC, it's ID, which very few people know."

Hulu leverages the Disney & ESPN brands as their hook for consumers as evidenced by their website and is able to position itself as a streaming as well as a live TV option for those still not ready to cut the cord. According to their own press release, NBCUniversal's Peacock is focused on original content, blockbusters and everything in between - basically a one-stop shop for entertainment: "From world-class originals and treasured hits, to blockbuster films and streaming channels, Peacock will offer consumers everything fans love to watch, all in one place."

HBO Max's approach is different in that they have so much original content, a strong library of retro content as well as a unique same-day movie premiere strategy - whereby Warner Bros. releases are offered on the same day as HBO Max.

Now that we've covered 5 of the top streaming services and their various offerings and marketing positioning, let's take a look at where ad dollars are being spent across these platforms, both overall and in specific categories.

In 2021, we observed 5,530 total advertisers running across 5 top OTT channels: Discovery+, HBO Max, Hulu, Paramount+ & Peacock.

Across this set of advertisers, we found them serving almost 500 thousand ads in the second half of 2021.

Which Industries Drives Ad Sales across OTT Channels?

Most of these 500k advertisements can be categorized across five major categories: Media & Entertainment, Retail, Technology, Financial & Real Estate and Pharma.

60-72% of advertisements placed on 5 of the top OTT channels fall within these categories.

Why is this important?

It indicates these 5 top OTT channels are all dependent on the same 5 industry categories.

The biggest driving category being Media.

Media advertising—movies, video games, television, and streaming—is the largest ad segment within OTT across every channel. It makes up between 19% - 33% of total ads running on any given channel.

Discovery+	HBO Max	Hulu	Paramount+	Peacock
22%	19%	24%	26%	33%

But it's important to point out that dollars are coming in from categories outside of Media. Certain OTT channels close more deals in particular industries than others.

Take for example the following:

- **Discovery+** wins big when it comes to retail advertising. Retail advertising makes up 22% of Discovery+ advertising revenue. This is twice as much as any other channel.
- **HBO Max** leads in sales to Financial & Insurance brands. These brands represent 19% of HBO Max's advertising volume. This is 2 to 3 more times than any other leading OTT channel's Finance advertising buys.
- **Paramount+ and Hulu** outperform when selling to Pharma. This could be due to older audiences that watch CBS content and are good fit for pharma advertisement. It could also be that ViacomCBS Digital ad sales team benefits from significant experience and long term relationships they have as they build Paramount+.
- **Discovery+** sells 5 times more food advertising than most of the competition. Only Hulu comes close. Food advertising is mostly CPG products, from cereal to soup.

A Note on House Ads

House inventory is used to promote programming within the same parent company. For example, a CBS show being marketed on Paramount+.

Ads for house programming represent 16% of total ad spots run. House advertising is highest immediately after a new channel launches, but has been in decline as OTT channels get better at selling their inventory.

Most OTT channels allocate around 12-15% of total spots to their own programming. Peacock, however, has a different strategy. Almost 30% of total inventory is used to market their own properties. This is likely a signal of the platform's desire to build cross-platform audiences for their programming.

Ad Load Analysis Across Channels

Ad load, or how many ads a streaming platform serves per hour, varies. Platforms are experimenting to find the right balance between how many ads a viewer will tolerate and how many will bring in the target revenue.

Based on the data, it appears that there is no unified answer on what's best.

Paramount+'s one-hour programs typically carry over 20 ads. Marquee programs, such as Picard and Star Trek Discovery, however, carry a lighter load (15-18 ads) despite running 45-65 minutes.

In contrast, Peacock has the lightest amount of ads per hour - 70% of programs carried 7-11 ads.

	ADS PER SHOW	ADS PER HOUR
Peacock	4.6	8.7
HBO Max	4.4	9.3
Discovery+	7.2	10.5
Hulu Originals	7.4	12.0
Hulu Licensed	10.1	13.8
Paramount+	17.0	23.8

Peacock and HBO Max have the lightest ad load. This may be a way to win over subscribers with a better viewing experience, but also to win advertisers.

How Ad-Load Analysis Reveals Business Strategy

Based on their different ad-load patterns, we can make some inferences about the different channels' priorities and growth strategies.

- **Paramount+**: Paramount+'s ad load is twice the amount of its nearest competitor. This is true per hour or per show. This may imply ViacomCBS is giving more to advertisers to entice them to the platform, or possibly bundling more actively. It's also possible they're trying to improve sales by packing-in ads.
- **Peacock and HBO Max** have the lightest ad load. This may be a way to win over subscribers with a better viewing experience, but also to win advertisers. Less ads may be a signal to advertisers that they'll have a less cluttered space to get their message out.
- **Hulu** has been lifting frequency, from 9-10 ads per hour in January to 12 ads per hour currently. The company continues to post the highest number of total advertisers and ad dollars. Increasing inventory is likely helping them realize revenue goals.
- **Discovery+** is in the mid range of ad loads compared to the others. This could be a result of the "Spot-Lite Ads" rewarding binge viewers with reduced ads or "Lime-Light Ads," which is limited commercial interruption offered as part of their streaming advertising products.

No connected TV provider is increasing or decreasing the volume of ads per hour based on the viewer demographic, suggesting that at any viewer age, there's an inherent acceptance of the amount of advertising that can be expected.

At the same time, no CTV provider is significantly increasing or decreasing the volume of ads per hour based on the time of day. There are some exceptions, but few.

Trends in Ad Duration and Why They Matter

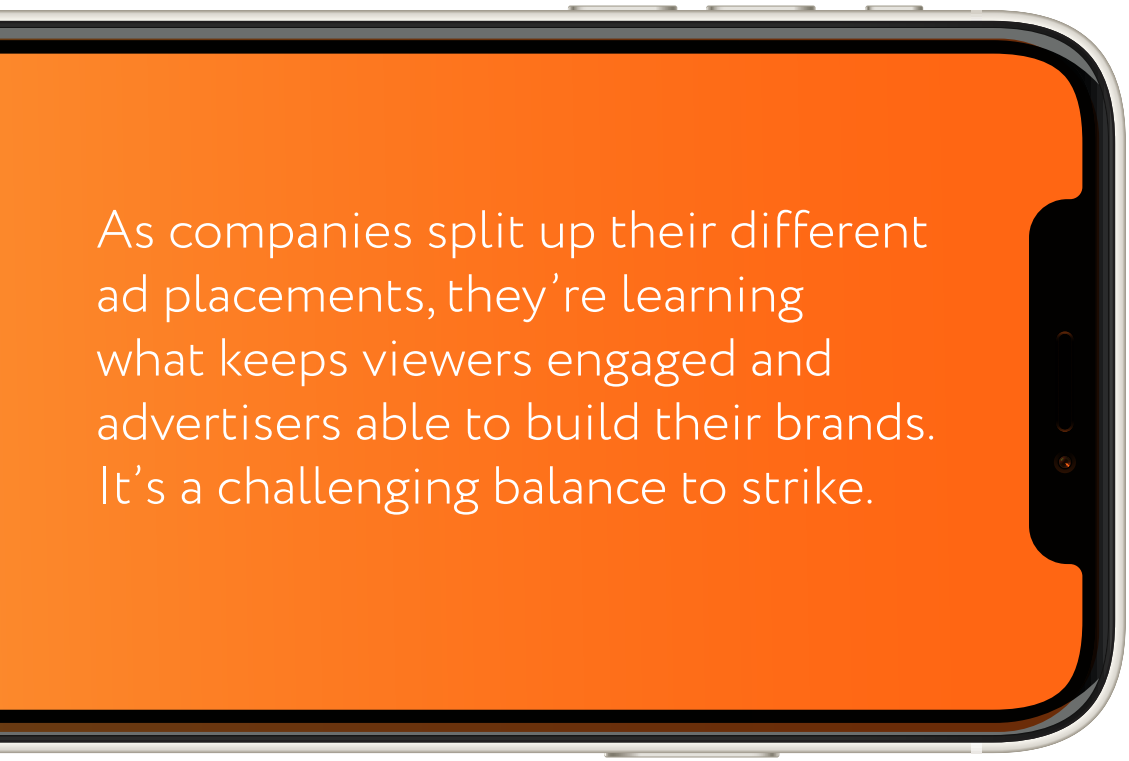
In the world of linear TV, more advertising time requires more money. For example, a 60 second ad is twice the price of a 30 second ad. But this relationship is not the same in OTT.

Today, ads shorter than 30 seconds are the expectation. Anything longer will be an interruption to the user's experience.

This new reality is forcing experienced media companies to try something new.

Most video ads on these platforms are either 15 seconds or 30 seconds. But each platform has a unique way to split up these ad slots:

- **Peacock**: Almost all ads running on Peacock are 15 or 30 seconds. Roughly two-thirds of ads are 30 seconds and one-third of ads are 15 seconds.
- **Hulu** follows a similar pattern as Peacock. About one-third of ads are 15 seconds and half are 30 seconds. The remaining balance of ads are very short, between 5-10 second spots.
- **Discovery+** has an almost perfect split between 15 and 30 second ads.
- **HBO Max**: Nearly half of HBO Max's ads are 15 seconds, ⅓ are 30 seconds and the remaining are 5 to 10 seconds.
- **Paramount+**: Slightly over ½ are 30 seconds, ⅓ are 15 seconds and the remaining are 5 to 10 seconds.



Using Data to Navigate Unchartered Territory

Streaming analysts are determined to find innovative ways to increase viewer attention on advertisements.

New methods include offering rewards for watching ads, only showing a single ad per break, continuing to shorten the ad lengths or allowing viewers to choose their category of ads.

Though viewers expect less ads and shorter ad lengths, streaming platforms need to earn money - and brands need to grow in visibility and increase sales.

We can't expect to go back to pricing and sales models that fit linear TV.

Ad sales professionals need a full view into how their competitors are selling ad space to the top spending industries. Agencies and brands need to see how much their clients or competitors are spending across OTT.

No matter your role, MediaRadar can help you find granular OTT advertising data from thousands of brands. This data will help you make informed strategies in a market that is quick to change.

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