

FREEWHEEL
A COMCAST COMPANY

**U.S. VIDEO
MARKETPLACE
REPORT**

THE VIEWER EVOLUTION

AND HOW THE PREMIUM VIDEO MARKETPLACE HAS RESPONDED

H1 2021





U.S. VIDEO MARKETPLACE REPORT

H1 2021

The FreeWheel U.S. Video Marketplace Report highlights the changing dynamics of how enterprise-class content owners and distributors are monetizing premium digital video content.

The data set used for this report is one of the largest available on the usage and monetization of professional, rights-managed video content worldwide and is based on aggregated and anonymized advertising data collected through the FreeWheel platform.

#FreeWheelVMR



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INTRODUCTION

As 2021 unfolds, the world is charting a path forward with the lessons of 2020 solidly in mind. In addition to the pandemic, advances in technology and political turbulence contributed to disrupting and reshaping how consumers access, consume and respond to entertainment and information.

While consumers adjusted to a new pace of life, the premium video ecosystem took the opportunity to adjust, leaning into digital and ad-supported services to keep consumers connected, entertained and informed.

The TV industry saw increased content consumption during stay-at-home orders, with a focus on streaming via “big screen” devices. Consumers sought news and entertainment content, for updated information and a break from reality respectively. In 2021, these trends continue as restrictions ebb and flow and businesses and consumers seek to settle into a “new normal.” The industry has realigned and continues to shift to accommodate evolving viewing behaviors.

Starting in 2020 and continuing well into 2021, more Americans are streaming content, with 39% adding streaming subscriptions during the pandemic.¹ While consumers adapted to their new reality with increased video consumption and a shift to streaming, content providers and marketers doubled down on strategies to increase reach, streamline targeting and provide the best content library to keep up with demand.

During a time as economically challenging as it was mentally taxing, programmers launched new direct-to-consumer (DTC) offerings. As viewers added subscriptions, free ad-supported streaming TV services (FASTs) attracted more financially-conscious consumers. At the same time, marketers sought to reach consumers more effectively and efficiently using programmatic and addressable offerings.



KEY TAKEAWAYS

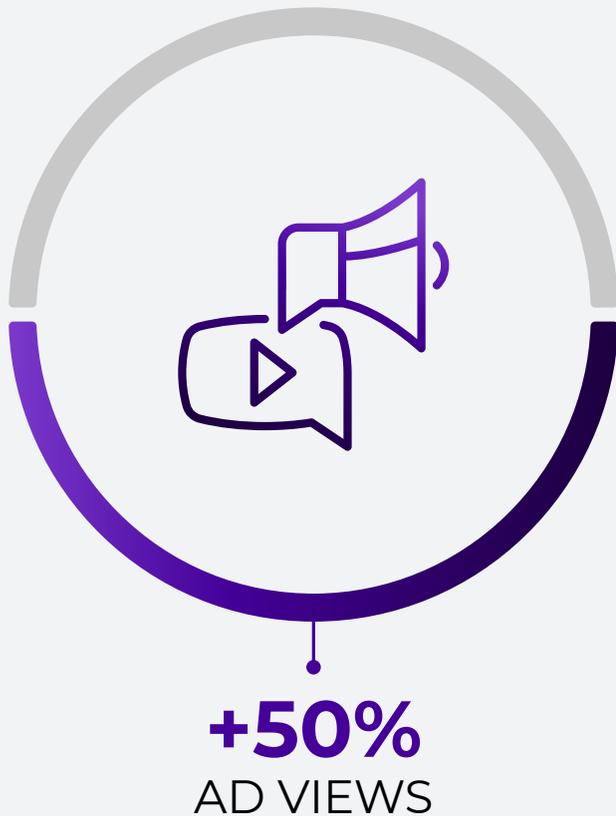
- Streaming services account for **45%** of ad views, overtaking TV Everywhere (TVE)
- Programmatic gains further adoption, with programmatic transactions representing **24%** of premium video ad views, resulting in **84%** YOY growth
- Connected TV (CTV) accounts for **60%** of total ad views with Roku and Fire TV devices continuing to lead market share with **43%** and **26%** of CTV views, respectively
- The entertainment vertical continues to lead the premium TV video ecosystem, with **92%** of ad views
- Behavioral targeting increases share due to advances in audience targeting capabilities, with **60%** representing behavioral segments and **40%** demo

CHART 1

AD VIEW GROWTH

H1 2020 vs. H1 2021

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Source: FreeWheel U.S. Video Marketplace Report H1 2021.
The Viewer Evolution.

THE 2021 VIEWER

Consumer behavior shifted and it's important for the premium video ecosystem to understand these shifts. Notably, CTV is the preferred way to consume video, and entertainment content remains king.

AD VIEWS CONTINUE TO GROW

The first half of 2021 has shown that viewers are still streaming. There has been a shift in how people watch video with the growth of CTV viewership and the launch of new streaming platforms offering more TV-quality programming. As a result of increased streaming, we are also seeing ad views continue to grow 50% YOY.

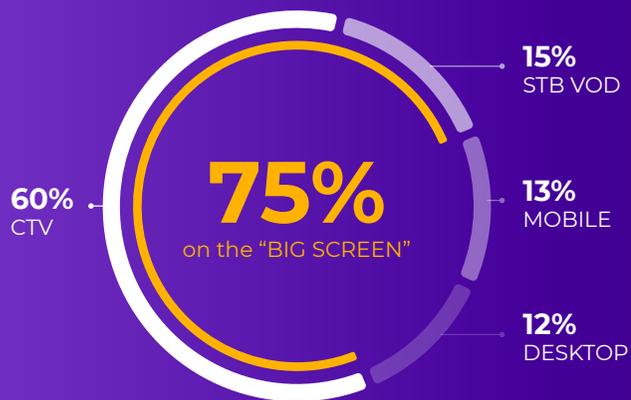
THE "BIG SCREEN" REMAINS A TOP CHOICE

CTV remains a top choice for viewers with 60% of ad views. This comes as no surprise as consumers are opting to view on bigger screens and spending more time streaming content. Roku and Fire TV devices continue to lead the market with 43% and 26% of CTV views, respectively. Smart TV makers continue to invest in their native apps as a play to garner market share from Roku and Amazon.²

CHART 2 AD VIEW COMPOSITION BY DEVICE

H1 2021

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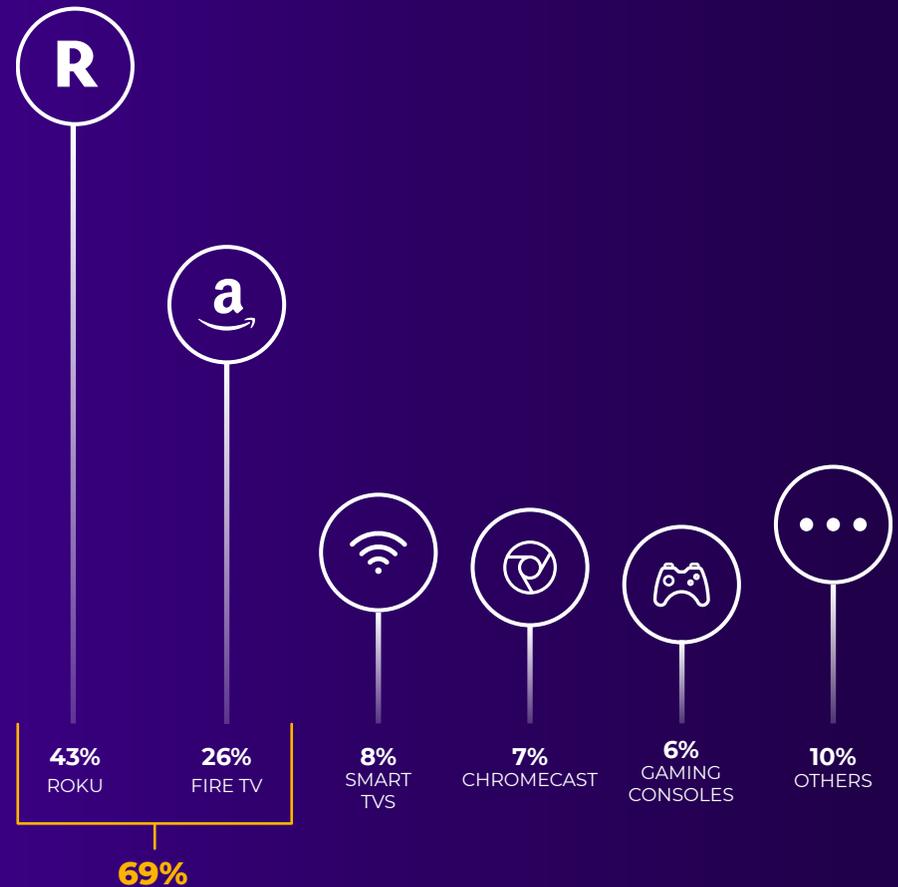


Source: FreeWheel U.S. Video Marketplace Report H1 2021. The Viewer Evolution.

CHART 3 AD COMPOSITION BY CTV DEVICE

H1 2021

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Source: FreeWheel U.S. Video Marketplace Report H1 2021. The Viewer Evolution.

ENTERTAINMENT GENRE & LIVE CONTENT ARE FRONT AND CENTER

The entertainment vertical continues to lead the premium TV video ecosystem, with 92% of ad views. As streaming services double down on content, there are two schools of thought: those who diversify and those who specialize. For example, Paramount+ and Peacock offer consumers diverse content ranging from sports, comedies, dramas and movies. Meanwhile, others are focusing on a specific vertical, such as Warner Media's approach to have HBO Max dedicated to entertainment and spin CNN into its own service with CNN+, launching in 2022.³

CHART 4 AD VIEW COMPOSITION BY VERTICAL

H1 2021

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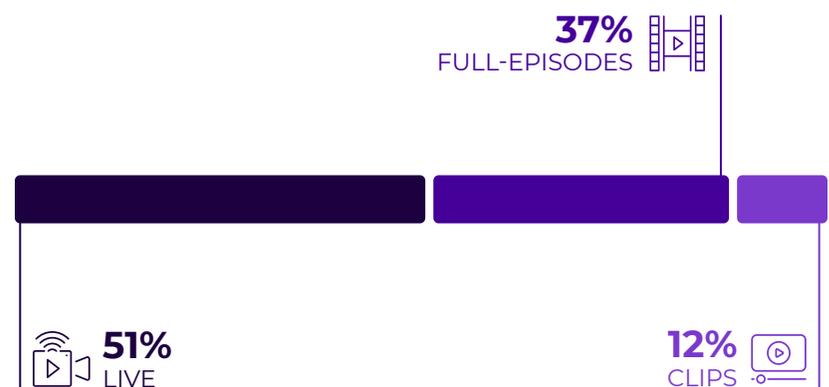
Source: FreeWheel U.S. Video Marketplace Report H1 2021. The Viewer Evolution.

Similar to linear TV, digital platforms offer diverse content to appeal to a broader consumer base, with 51% of ad views driven by live, with long-form on demand not far behind at 37%. Live 24/7 content feeds are the cornerstone of the FASTs model and have become popular with consumers since they are free, have a large offering of diverse channels, and have a limited ad load. According to a recent consumer survey, 20% of respondents would be interested in using free platforms to replace their paid subscriptions.⁴

CHART 5 CONTENT COMPOSITION BY FORMAT

H1 2021

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Source: FreeWheel U.S. Video Marketplace Report H1 2021. The Viewer Evolution.

THE INDUSTRY EMBRACES CONSUMER TRENDS

The past year changed the way content is consumed, and the premium video ecosystem evolved by leaning into DTC streaming services. With more streaming came more opportunity to increase advertising effectiveness through advanced programmatic and addressable solutions.



STREAMING SERVICES OVERTAKE TV EVERYWHERE

DTC streaming services make up 45% of ad views by distribution platform, edging ahead of TVE which held the majority share versus the same time period last year. This growth is fed by the introduction of new services including

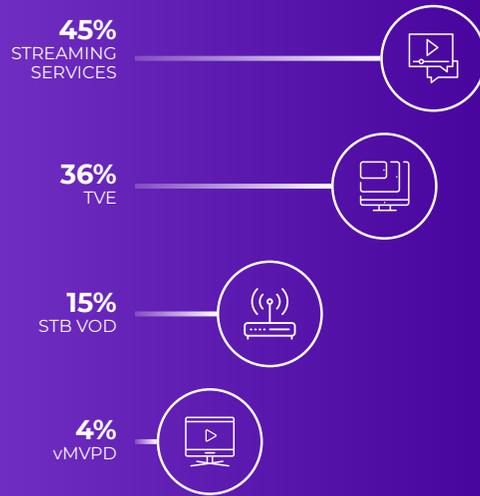
Discovery+ and Paramount+ which were launched in January and March 2021 respectively. HBO also introduced an ad-supported tier of its HBO Max offering, breaking away from its traditional commercial-free approach.⁵ The proliferation of

subscription and advertising-supported streaming services further perpetuates the complexity and fragmentation of viewing choices, for both the consumer and the advertiser.

CHART 6 SHARE OF AD VIEWS BY DISTRIBUTION PLATFORM

H1 2021

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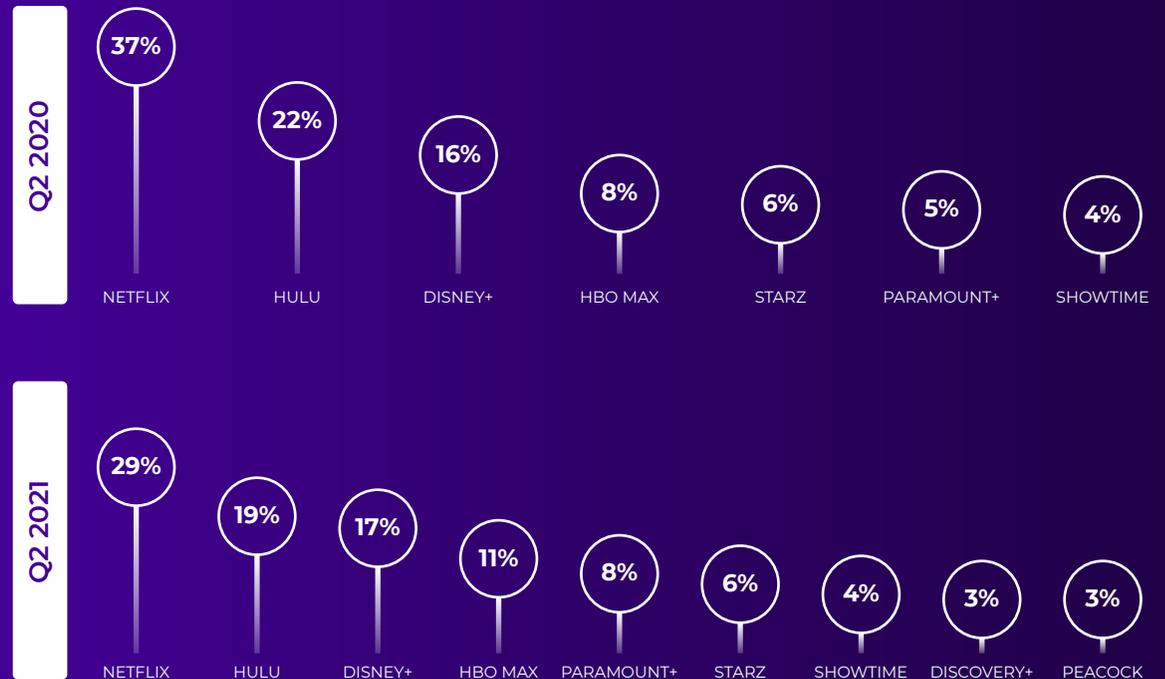


Source: FreeWheel U.S. Video Marketplace Report H1 2021. The Viewer Evolution.

CHART 7 SHARE OF PREMIUM SVOD SUBSCRIPTIONS⁶

Q1 2020 vs. Q1 2021

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PROGRAMMATIC STEPS UP TO MEET MARKET'S EVOLUTION

As the world emerged from an unpredictable year, buyers went into the upfronts seeking flexibility, with an increased focus on programmatic transactions. According to a recent study, more than half of CTV buyers planned to allocate more money to programmatic in 2021 than they did in 2020.⁷ We can see this come to fruition in the first half of 2021, with programmatic transactions representing 24% of premium video ad views, resulting in 84% YOY growth.

CHART 8 AD VIEWS BY TRANSACTION TYPE

H1 2021

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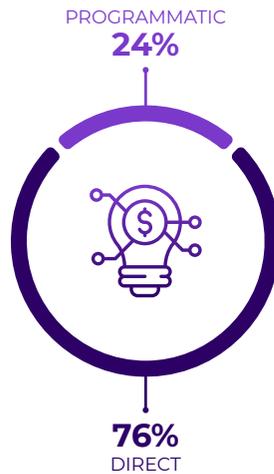


CHART 9 PROGRAMMATIC AD VIEW GROWTH YOY

H1 2021

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Source: FreeWheel U.S. Video Marketplace Report H1 2021. The Viewer Evolution.

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ADDRESSABILITY GAINS MOMENTUM

As viewer behaviors evolve, advertisers' desire to deliver more customized and effectively targeted ad experiences grows. In June 2021, TV operators introduced an industry initiative, Go Addressable, to simplify and drive adoption of advanced addressable TV advertising.⁸ The goal is to better meet the needs of 92% of marketers who say they are adopting audience-based buying to some degree, according to an Advertising Perceptions survey.⁹

CHART 10 AUDIENCE SHARE OF TARGETED CAMPAIGNS

H1 2021

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Source: FreeWheel U.S. Video Marketplace Report H1 2021. *The Viewer Evolution*.



CONCLUSION

New technology, political tensions and a global pandemic in 2020 transformed and accelerated how people access, consume and respond to media and advertising and we've seen this evolution continue into the first half of 2021.

Advertisers, marketers and their content, distribution and technology partners can expect the change that was spurred in 2020 and is persisting into 2021 to continue, if not accelerate. Changing consumer viewing and buying behavior will push the continued evolution of data capability, accuracy and availability.

The industry is at the beginning of a long-term, data-driven evolution of how advertising and marketing are done. Keeping up in the industry will require a focus on the data that provides insight into viewer behavior and what impacts it, and enables the reach, targeting and reporting that marketers crave.



ABOUT THE AUTHORS



JULIA ZANGWILL

Director in FreeWheel's Global Advisory Services and oversees the team's thought leadership. Her areas of expertise include addressability enablement, monetization strategy, and unification assessment. Prior to FreeWheel, Julia worked at Viacom Media Networks and AMC Networks in business development, focused on growing advertising revenue.



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GLOSSARY

Ad Completion Rate – Measures the percentage of ads that were completed once started

Addressable TV – The ability to target a message to a device or individual. Those segments could be matched or modeled by behavioral, demographic, and geographic factors from 1st, 2nd, or 3rd party data sets.

Ad View – Occurs each time an ad is displayed

Clip - Video content under 10 minutes long

Connected TV (CTV) – A television set that is connected to the Internet via OTT devices, Blu-ray players, streaming box or stick, and gaming consoles, or has built-in internet capabilities (i.e., a Smart TV) and is able to access a variety of long-form and short-form web-based content

Content Vertical – Content genre, e.g. news, entertainment, sports

Deal ID – Unique deal identifier of a programmatic transaction that can be used to match advertisers and publishers directly

Direct-sold – Advertising deals made directly between a publisher and an advertiser

Distributor – A party other than the content rights owner that manages the platform upon which content and advertisements are delivered

Dynamic Ad Insertion (DAI) – Process of dynamically inserting ads into a content stream, such that different ads can be inserted into the same ad break

Linear – Live, ad supported TV that has scheduled ads. Every household that watches the show at the same time sees the same ad.

Long form – Video content 10 minutes or longer

Mid-roll – An ad break that occurs in the middle of content

Multichannel Video Programming Distributor (MVPD) – Provides pay TV services delivered either through broadcast satellite or cable TV. Examples include Comcast and Verizon.

Pre-roll – An ad break that occurs before content starts

Premium Video – Video content that is professionally produced, rights managed, and limited in supply

Programmatic – The use of automation software or managed services to execute an advertising deal

Publisher – Owner or licensor of content (content rights owner).

Set-top Box Video On Demand (STB VOD) – Accompanies a cable/broadcast/satellite setup. Contains a cable input and outputs to a TV.

Streaming Services – Ad supported, streaming video service that has live feeds and/or video on demand. Examples include Pluto, Xumo, Hulu (not Hulu Live).

TV Everywhere (TVE) – Services that accompany a cable/satellite subscription, allowing the customer to watch the channels in their package anywhere, both inside and outside the home, without a set-top-box.

Video View – Accrued after the first frame of video content is displayed

Virtual MVPD (vMVPD) – Digital-only cable alternatives that offer access to both live and on demand premium video content for a subscription fee



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