

# **Connected TV and Over-the-Top (OTT) Video Webinar**

- **Please mute your phone**
- **We will record this session**
- **All questions or comments can be sent to us via the chat box**
- **We will begin the presentation at 1pm EST**

# **Connected TV and Over-the-Top (OTT) Video**

## **Market Overview and How Direct Mail Fits In**

November 7, 2018

Presenter: Al Gilbert

- **Connected TV**
- **Over-the-Top Video**
- **Programmatic Advertising**
- **Direct Mail**
- **Summary/Next Steps**

Connected TV: TV sets connected to the internet through a built-in capability (Smart TV) or another device like a game console or set-top box (Roku box).

## **US Connected TV Users, by Device, 2017-2022**

*millions*

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Smart TV	81.6	94.8	103.7	110.8	116.3	119.0
Connected game console	62.2	65.4	68.0	69.8	71.3	72.6
Roku	47.3	59.2	70.1	79.0	87.1	93.4
Amazon Fire TV	40.0	48.6	55.7	60.8	65.9	69.7
Google Chromecast	29.1	30.6	31.6	32.5	33.1	33.7
Blu-ray player	28.5	28.0	27.4	26.7	25.9	25.1
Apple TV	22.4	24.1	25.1	25.7	26.3	26.7
<b>Total</b>	<b>168.9</b>	<b>182.6</b>	<b>190.0</b>	<b>195.9</b>	<b>200.4</b>	<b>204.1</b>

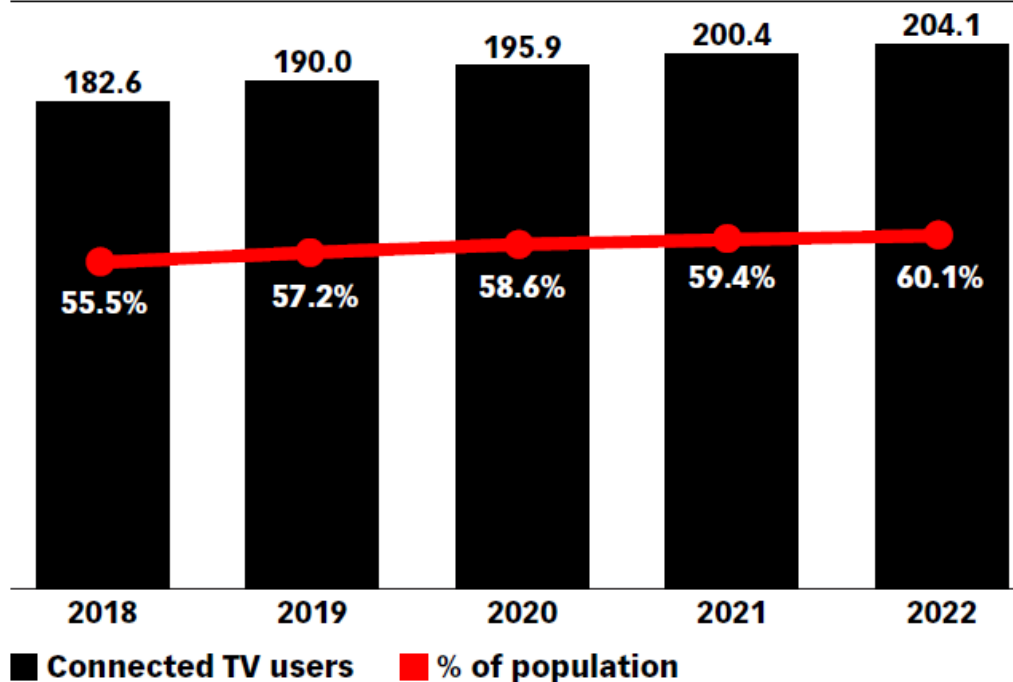
*Note: individuals of any age who use the internet through a connected TV at least once per month*

*Source: eMarketer, July 2018*

**60%** U.S. population will be Connected TV viewers by the year 2022.

## US Connected TV Users, 2018-2022

*millions and % of population*



*Note: individuals of any age who use the internet through a connected TV at least once per month*

*Source: eMarketer, July 2018*

240293

[www.eMarketer.com](http://www.eMarketer.com)

Connected/OTT

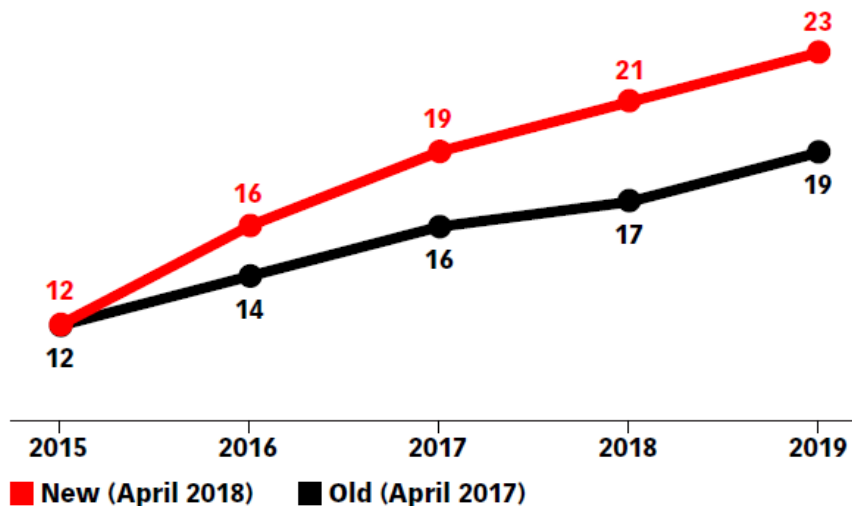
Programmatic

Direct Mail

Time spent per day with Connected TV is increasing and outpacing previous estimates.

**Average Time Spent per Day with Connected TV\* by US Adults, 2015-2019**

*minutes*



*Note: ages 18+; includes all time spent watching, regardless of multitasking; \*includes Apple TV, Boxee, connected Blu-ray devices, connected game consoles, Google Chromecast, Roku, smart TVs and other internet-connected devices*

*Source: eMarketer, April 2018*

237124

[www.eMarketer.com](http://www.eMarketer.com)

Millennials watch the most Connected TV daily (43%).

## US Adults Who View Digital Video via Connected TV Daily, by Age, March 2018

*% of respondents in each group*



*Note: who live in households with a TV set; includes Blu-ray player, connected device (Amazon Fire TV Stick, Apple TV, Chromecast, Roku), smart TV set or video game console*

*Source: Leichtman Research Group Inc. (LRG), "Connected and 4K TVs XV" as cited in press release, June 8, 2018*

239024

[www.eMarketer.com](http://www.eMarketer.com)

Connected/OTT

Programmatic

Direct Mail

Over-the-Top (OTT): Any app or website that provides streaming video content over the internet and bypasses traditional distribution like Cable and Broadcast TV networks. OTT includes examples like Hulu, Netflix, YouTube, Sling TV.

## US Over-the-Top (OTT) Video Service Users, by Service Provider, 2016-2021

	2016	2017	2018	2019	2020	2021
<b>OTT video service users (millions)</b>						
YouTube	180.1	185.9	190.9	195.0	198.7	201.7
Netflix	120.0	128.0	132.6	136.4	139.1	141.5
Amazon Video	76.2	85.3	90.3	93.6	96.5	98.8
Hulu	32.6	34.7	36.1	37.4	38.6	39.5
<b>Total</b>	<b>187.3</b>	<b>193.3</b>	<b>198.6</b>	<b>202.8</b>	<b>206.4</b>	<b>209.5</b>
<b>OTT video service user growth (% change)</b>						
Amazon Video	16.5%	11.9%	6.0%	3.6%	3.1%	2.4%
Netflix	10.2%	6.6%	3.6%	2.9%	2.0%	1.7%
Hulu	-42.9%	6.4%	4.1%	3.5%	3.2%	2.4%
YouTube	4.0%	3.2%	2.7%	2.1%	1.9%	1.5%
<b>Total</b>	<b>3.9%</b>	<b>3.2%</b>	<b>2.7%</b>	<b>2.1%</b>	<b>1.8%</b>	<b>1.5%</b>
<b>OTT video service user penetration (% of OTT video service users)</b>						
YouTube	96.1%	96.2%	96.1%	96.1%	96.3%	96.3%
Netflix	64.1%	66.2%	66.7%	67.3%	67.4%	67.5%
Amazon Video	40.7%	44.1%	45.5%	46.2%	46.8%	47.2%
Hulu	17.4%	18.0%	18.2%	18.4%	18.7%	18.9%

*Note: individuals of any age who watch video via any app or website at least once per month that provides streaming video content over the internet and bypasses traditional distribution; OTT video services are not mutually exclusive; there is overlap between groups*

*Source: eMarketer, July 2017*

228922

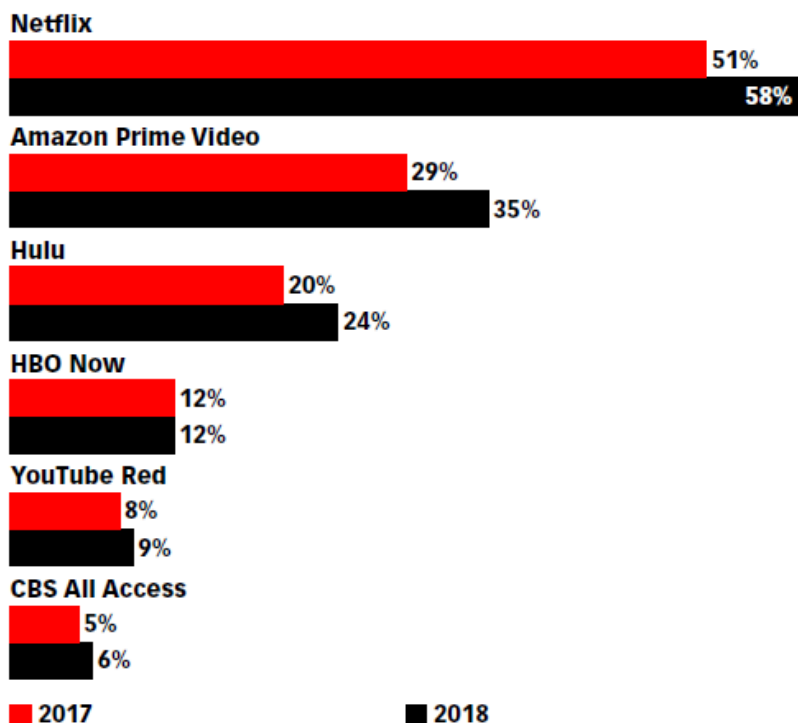
www.eMarketer.com



Almost all leading OTT Subscription Video-on-Demand Services are growing in viewership year over year.

## Subscription Video-on-Demand (SVOD) Services Used by US Internet Households, 2017 & 2018

% of respondents



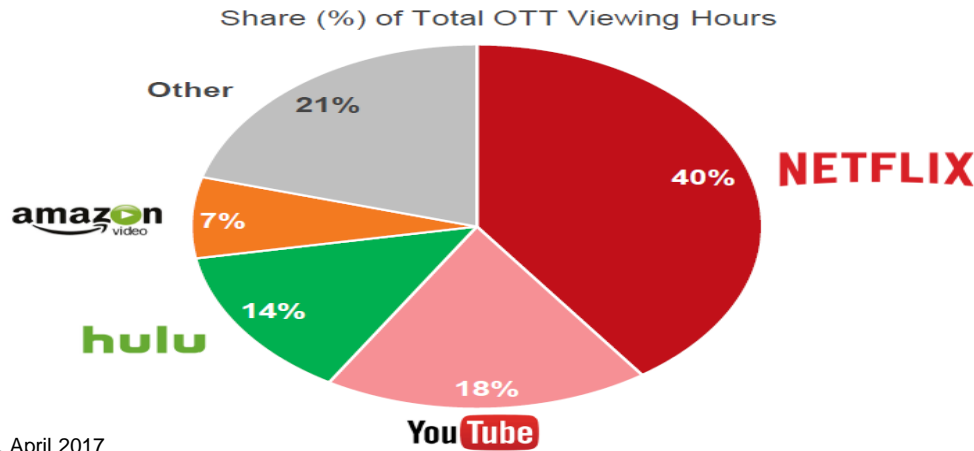
Note: 2017 n=2,400 ages 8-64; 2018 n=1,991 ages 18-64  
 Source: Magid, "Video, Video Platforms, and Other Digital Highlights: Media Consumption Survey 2018," June 22, 2018

239682

www.eMarketer.com



Four main OTT streaming services account for nearly 80% of viewing time for OTT households.



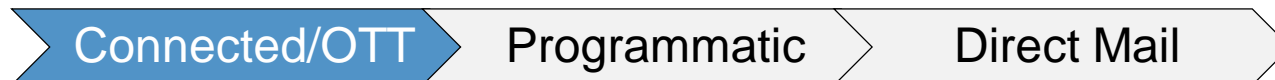
Source: comScore OTT Intelligence, U.S., April 2017

## Revenue Models

- **Netflix:** Does not accept advertising.
- **YouTube:** Accepts advertising.
- **Hulu:** Accepts advertising but also offers several special subscription packages sold as No Commercials and Limited Commercials.
- **Amazon Video:** Does not accept advertising on its Prime Video content, with the exception of their Thursday Night Football package (but rumors exist about possible development of a subscription free, ad supported Prime Video streaming service).

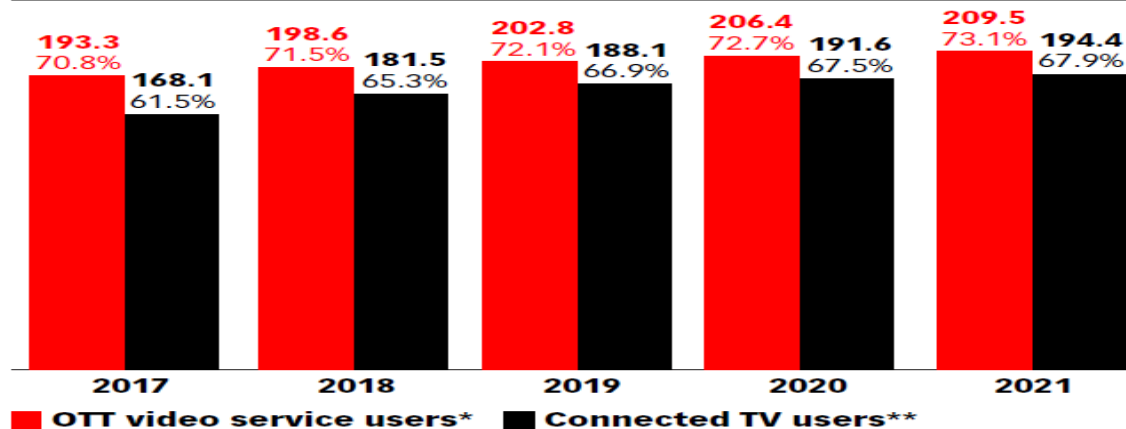
All major streaming services listed above charge a subscription fee for their services except YouTube.

For those streaming services which do not accept traditional advertising, product integration/placement into their program content, in addition to the aforementioned subscription fees, is another means by which these companies generate revenue.



- In 2017, more than half the U.S. population (168.1 million) watched Connected TV at least 1x/month
- User penetration of OTT is even higher as 193.3 million (or 71%) of all internet users already utilize an OTT service at least 1x/month in 2017
  - Expected to climb to 210 million users (73% penetration) by 2021.

**US Over-the-Top (OTT) Video Service Users\* and Connected TV Users\*\*, 2017-2021**  
*millions and % of internet users*

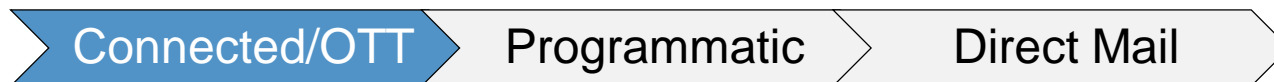


*Note: \*individuals of any age who watch video via any app or website at least once per month that provides streaming video content over the internet and bypasses traditional distribution; examples include HBO Now, Hulu, Netflix and YouTube; \*\*individuals of any age who use the internet through a connected TV at least once per month*  
 Source: eMarketer, July 2017

231779

www.eMarketer.com

**KEY STAT:** By 2021, eMarketer predicts that about 200 million US consumers will use a connected TV and OTT video service at least once per month.

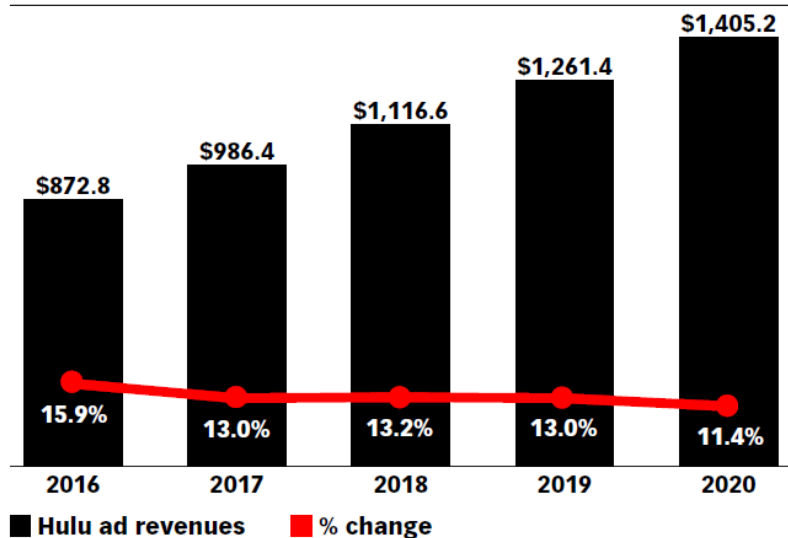


Increased ad spending and user growth in the coming years for the leading OTT and Connected TV service providers.

## Over-the-Top Video Service (OTT)

### US Hulu Ad Revenues, 2016-2020

millions and % change



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; figures represent net ad revenues  
Source: eMarketer, March 2018

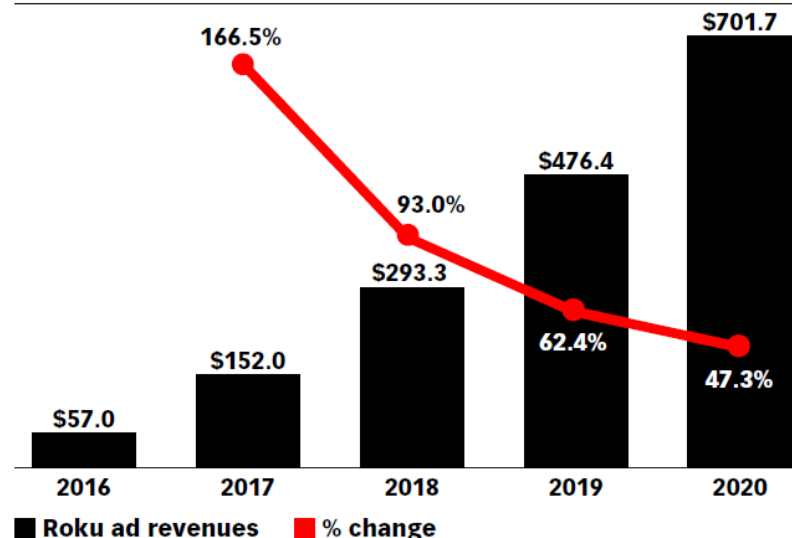
236605

www.eMarketer.com

## Connected TV

### US Roku Ad Revenues, 2016-2020

millions and % change



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms; figures represent net ad revenues  
Source: eMarketer, March 2018

236606

www.eMarketer.com

Connected/OTT

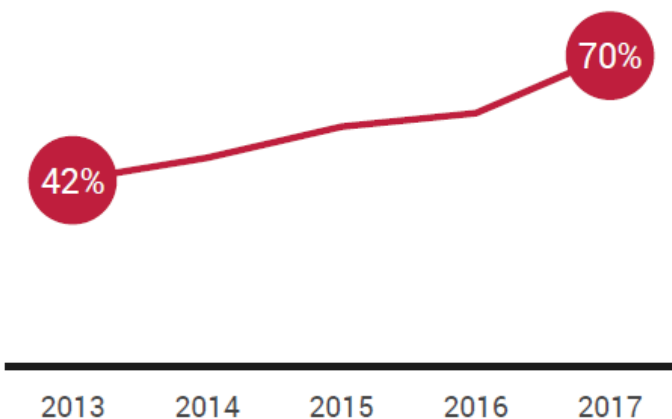
Programmatic

Direct Mail

- Streaming is the new normal when consuming TV Video content.

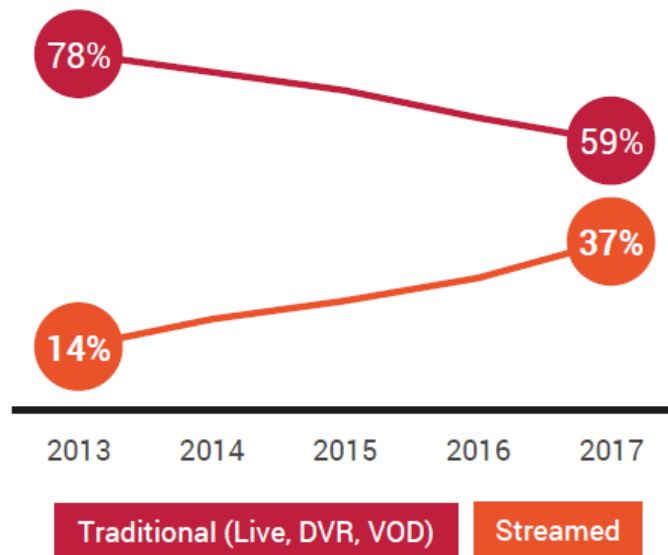
## PERCENTAGE OF TV CONTENT VIEWERS WHO STREAM

BASE: TV VIEWERS 18+



## SHARE OF WEEKLY VIEWING

BASE: TV VIEWERS 18+



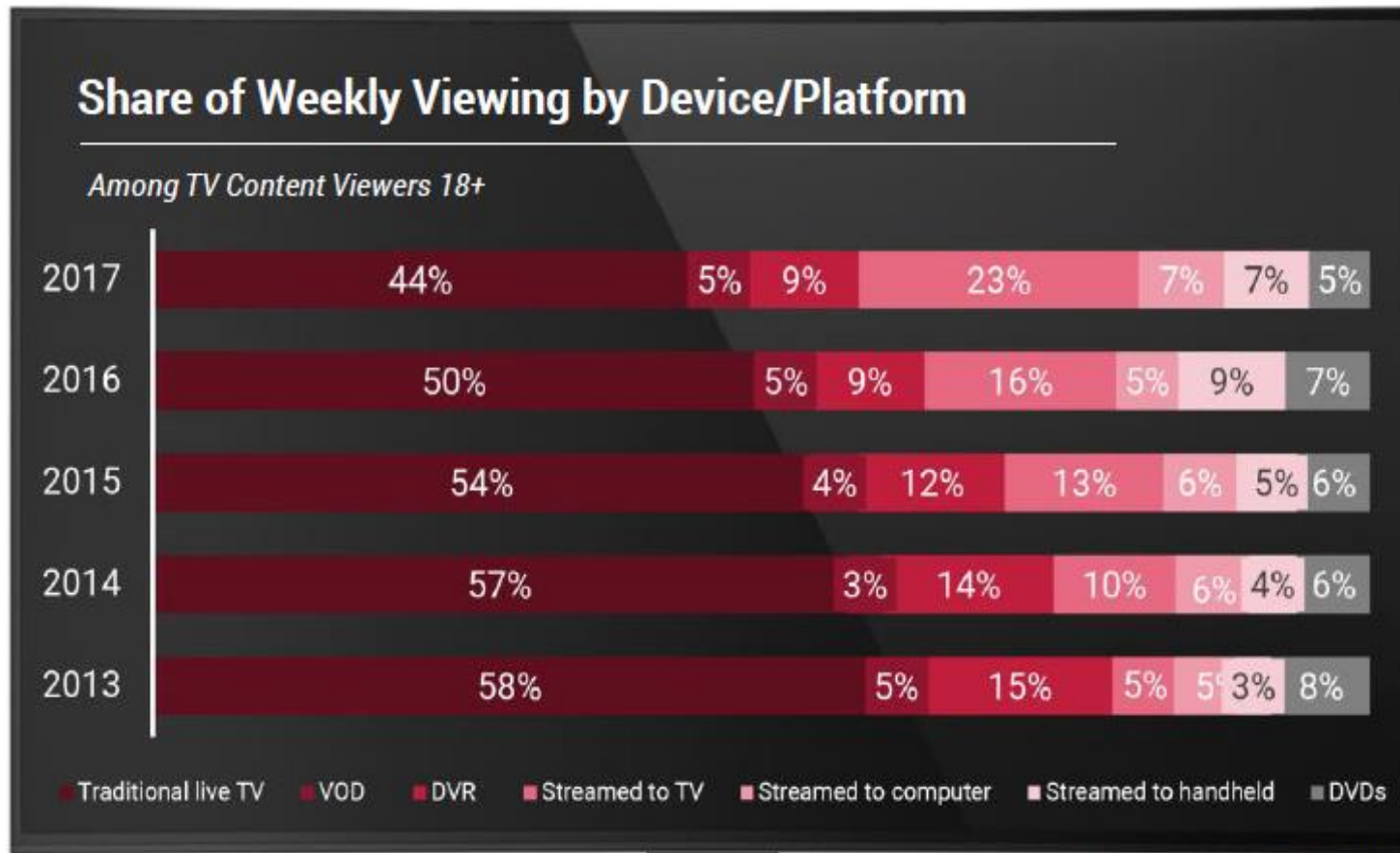
Source: State of Pay TV, OTT & SVOD 2017

Connected/OTT

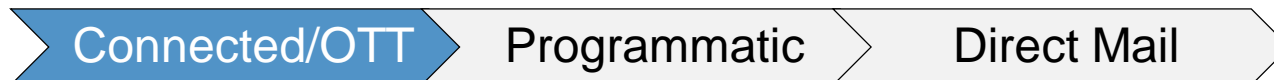
Programmatic

Direct Mail

- People prefer to watch TV video content on the best screen available.



Source: State of Pay TV, OTT & SVOD 2017



In 2017, U.S. Digital ad spending surpassed U.S. traditional TV ad spending for the first time ever.

- Industry experts believe this trend will continue in the coming years.

## **US TV\* vs. Digital Ad Spending, by Device, 2014-2020**

*billions*

	2014	2015	2016	2017	2018	2019	2020
<b>TV*</b>	<b>\$68.54</b>	<b>\$68.88</b>	<b>\$70.60</b>	<b>\$72.01</b>	<b>\$73.81</b>	<b>\$75.29</b>	<b>\$77.17</b>
<b>Digital**</b>	<b>\$49.69</b>	<b>\$59.61</b>	<b>\$68.82</b>	<b>\$77.37</b>	<b>\$86.61</b>	<b>\$96.11</b>	<b>\$105.21</b>
—Mobile	\$19.15	\$31.59	\$43.60	\$52.76	\$61.20	\$69.15	\$77.10
—Desktop/ laptop	\$30.54	\$28.02	\$25.22	\$24.62	\$25.42	\$26.95	\$28.11
<b>Digital video***</b>	<b>\$5.24</b>	<b>\$7.66</b>	<b>\$9.84</b>	<b>\$11.72</b>	<b>\$13.39</b>	<b>\$15.15</b>	<b>\$16.69</b>
—Desktop/ laptop	\$3.70	\$4.77	\$5.60	\$6.33	\$7.07	\$7.95	\$8.63
—Mobile	\$1.54	\$2.88	\$4.24	\$5.39	\$6.31	\$7.20	\$8.06
<b>Total media ad spending</b>	<b>\$175.31</b>	<b>\$182.78</b>	<b>\$192.02</b>	<b>\$201.32</b>	<b>\$212.20</b>	<b>\$223.11</b>	<b>\$234.25</b>

*Note: \*includes broadcast TV (network, syndication & spot) & cable TV;  
\*\*includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices, and includes all the various formats of advertising on those platforms;  
\*\*\*includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices; includes advertising that appears before, during or after digital video content in a video player*

Source: eMarketer, March 2016

Programmatic Advertising, as defined by the Association of National Advertisers (ANA), is the automation of advertising media buying and selling process and decisions, enhanced through data.

- Automated bidding on advertising inventory in real-time for the right to show an ad to a specific customer, in a specific context.

## Programmatic Advertising

- Makes advertising more targeted and relevant.
- Applies to any media from digital to TV.
- Allows the advertiser to reach the right audience with the right message at the right time.
- Uses technology and data to automate the advertising media buying experience.
  - Allows advertisers to reach their target audience easier and cheaper.

While Programmatic Advertising offers media buying efficiencies, downsides include:

- Lack of transparency
- Potential Ad Fraud
- Lack of Measurement





US Adults average about 4 hours/day watching traditional TV in 2017 but TV viewership is declining as OTT and Connected TV allow viewers to screen content on their own terms.

## Programmatic Advertising solution

- In order to counteract declining TV viewership, programmatic advertising is becoming an increasingly more popular way to reach a fragmented audience by targeting messages across-platforms and across-screens.
  - Supply and demand issues face advertisers trying to reach OTT and Connected TV audiences via Programmatic buying as inventory is limited and there are audience targeting, scale, and measurement issues.

### **Current vs. Anticipated\* Percent of Digital Video Ad Spending Allocated to Programmatic According to US Agency and Marketing Decision-Makers, Feb 2017**

*% of respondents*

	<b>Current</b>	<b>Anticipated*</b>
1%-24%	44%	33%
25%-49%	26%	29%
50%-74%	13%	22%
75%-99%	7%	13%
100%	1%	1%
None	8%	2%

*Note: includes desktop/laptop, mobile and over-the-top (OTT); numbers may not add up to 100% due to rounding; \*for 2018*

*Source: Advertiser Perceptions and Videology, "Advanced TV Study," April 19, 2017*

225990

[www.eMarketer.com](http://www.eMarketer.com)



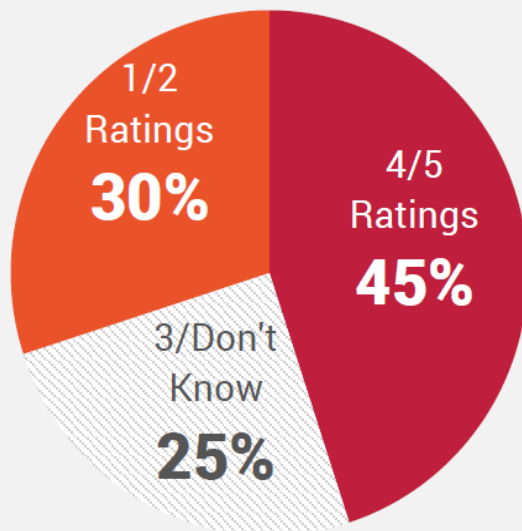
- Advertisers must think about how to develop their creative when purchasing programmatically using OTT and Connected TV in trying to align the most relevant message to right person.
- Personalized and dynamic creative is a must.
- Omni-channel approach is critical in synchronizing online and offline messaging.



**“When an ad comes on that is obviously directed at me due to my browsing, shopping, or viewing history, I am more interested in watching it”**

*Among Streamers 18+*

5-point “Describes” Scale



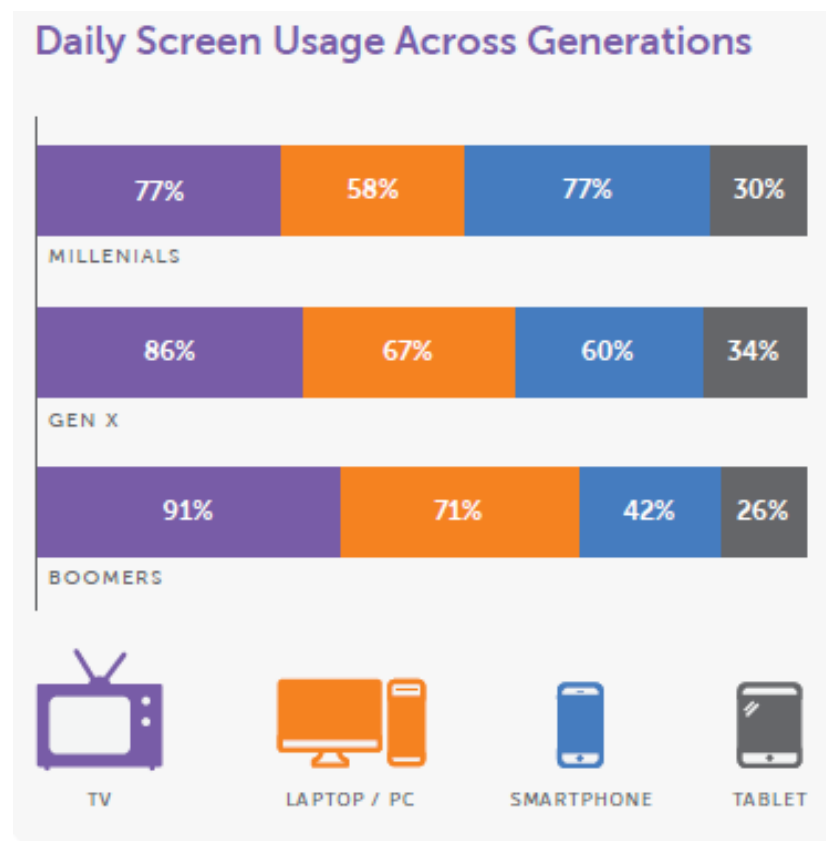
Source: State of Viewing & Streaming 2017

Addressable and personalized advertising offers an important opportunity for media companies and their advertisers. In the 2017 edition of State of Viewing & Streaming, almost half (45%) of consumers said they are more engaged with advertising when the product advertised is relevant to them and/or when it reflects their interests.

Source: Horowitz Perspective Study January 2018



- Online and offline marketing is merging.
- Shift towards people-based marketing where Omni-Channel marketing will target and measure audiences as individuals, with multiple touch-points throughout the customer journey.



Source: Marketo Study



- Programmatic Advertising is data-driven automation of media buying where marketers use data to identify most optimal media contexts and channels.
- Programmatic Advertising expenditures are increasing due to cost efficient and effective ways of reaching an audience.
- Downsides to Programmatic Advertising include potential ad fraud and lack of transparency.
- Personalization and Omni-Channel marketing becoming more prevalent.
  - Convergence of offline and online media channels.



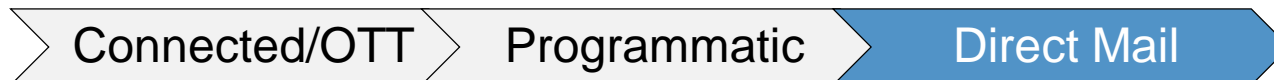
## Direct Mail

- Direct Mail is the original data driven media channel.
  - Consumers spend 16 minutes on average reading direct mail\*
  - Response rates 100x higher than digital display\*
  - Adding mail to the marketing mix can increase ROI by +12%\*
- Adding Direct Mail to Web + Email media mix drove up response rate by **+37%** according to InfoTrends Study (2016)

\*Source: Royal Mail Research (2016 Touch Points)

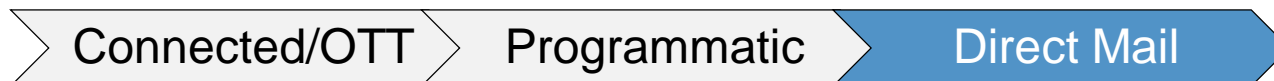
## Digital to Direct Mail

- Can provide relevance, response rate, speed, and trackability
  - Step 1: Customer is moving and visits energy company's webpage
  - Step 2: Their action triggers an immediate Mail response
  - Step 3: Mail partner prints and mails out a pre-designed personal communication mailpiece to the customer.
  - Step 4: The mailpiece arrives to customer within 24-48 hours.

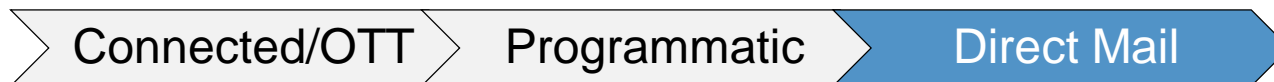


How do we integrate Direct Mail with OTT/Connected TV?

- Relatively new technology so the industry is still trying to figure out how it works with much closer related media like Traditional Broadcast TV.
- OTT/Connected TV synergy with Direct Mail may be achievable by targeting specific vertical industries and sectors like Automotive, Finance, etc., as part of an omni-channel media mix strategy.
  - For example, an advertiser can run an ad on OTT advertiser supported platform like Hulu delivering a highly targeted message to that consumer and then follow-up with a Digital to Direct personalized direct mailpiece or a variable data mailpiece.
- We believe that there is a unique opportunity to combine OTT/Connected TV and Direct Mail elements in the media mix.
  - Currently, direct mail synergy with video can be achieved through Advanced Linear TV providers (e.g., Comcast, DIRECTV) using media purchasing tactics like *Addressable TV* which allows advertiser to target customer at the household level.



- As marketers, we must continue to push towards promoting an Omni-Channel approach where direct mail and programmatic/Digital to Direct mail plays a critical role.
- A siloed marketing effort does not work in this rapidly changing media environment.
- Direct Mail cannot be seen as simply a tactical effort.
  - It must become part of the marketing mix/consideration set when we, as marketers, are building our communication plans and strategies with the goal to drive conversion and usage when considering this channel.





- There is a new and related technology category in the proposed 2019 Emerging Technology Promotion.
  - Incorporates the use of targeted video advertising with direct mail.
- Contact the Emerging Technology Promotions Team if you have any further ideas related to the integration of Connected TV/OTT and direct mail.
  - Send all questions or comments to the Emerging Tech Inbox: [EmergingTechPromo@usps.gov](mailto:EmergingTechPromo@usps.gov)
- Look for a schedule of upcoming FY2019 Webinars on our PostalPro promotions page: <https://postalpro.usps.com/promotions>

