Mirriad

New survey ranks contextual relevancy as top solution to improve viewer experience

By Tim Jones, Head of Global Research, Mirriad

Let's face it: We all know the traditional TV ad model is challenged. The industry is working to counter this, with talk of reducing ad loads and stopping viewer erosion while proving that traditional advertising still works. The dilemma is that viewers who want to avoid ads are finding new ways to do so much more quickly than networks are solving the problem. Add to that the growth of ad-free programming services, and the signs are staring us in the face—or, in the case of TV networks, hitting the pocketbook.

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Already, 61 percent of viewers globally say they skip ads when possible, according to a Kantar Millward Brown study. At the same time, 64 percent of U.S. households subscribe to at least one video-on-demand service, such as Netflix, Hulu or Amazon Prime, up 10 percent in just one year, according to Nielsen, which predicts that 9 trillion ad impressions—nearly half of all ad impressions on ad-supported cable TV—are expected to disappear in the next five years.

To address this problem, some networks are planning to cut their ad loads. Fox Networks recently said it will trim commercial blocks to two minutes per hour by 2020, while NBCUniversal is reducing its prime-time ads by 20 percent and overall ad time by 10 percent. This follows 2015 announcements by TV network groups such as Viacom and Turner that they would run fewer commercials to improve the viewer experience.

But this isn't a long-term fix for a financial model based on selling so many minutes of 15-, 30- and 60-second spots per hour of programming. A recent estimate by Pivotal Research Group, as reported by Ad Age, put the cost of today's $300,000 30-second spot at $1.6 million in 2020, if Fox were to try to make up the revenue it would lose by cutting ads.

$1.6 MILLION

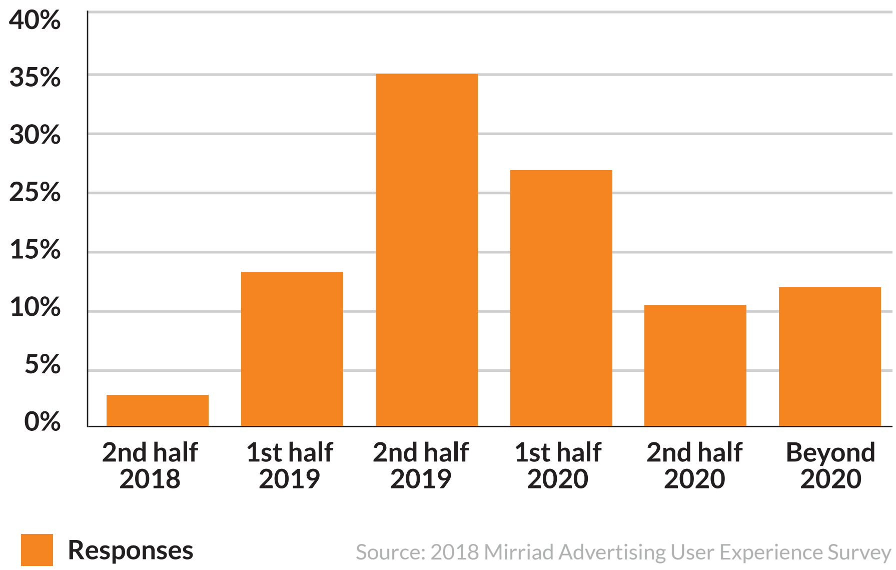
The cost of today's $300,000 30-second spot in 2020 if networks raise prices to make up for revenue from cutting ads.

Another factor at play is content. SVOD services Netflix and Amazon, along with pay cable's HBO, dominated the recent 2018 Emmy Awards with high-priced content. Shows such as Netflix's "The Crown," at a reported $13 million per episode, and HBO's "Game of Thrones," at $15 million per episode for its final season, offer viewers high-quality content but are expensive to maintain. Add to that the subscription fatigue factor, where viewers are not inclined to keep adding subscription services, and the issue of long-term sustainability for SVOD without some other financial support comes into doubt. Yet Netflix caused a stir earlier this year when it tested video promos between series episodes, prompting outraged viewers to threaten to cancel if ads were introduced.

At the same time, ad-supported networks continue to maintain viewership when their content is compelling, such as sporting events or blockbuster programming events—but this raises the question of whether they can compete with pay services in offering high-quality, cutting-edge content, especially if they change their ad model.

Timeline for cutting ad loads

By when do you think most broadcast and cable TV networks will have reduced ad loads?



Source: 2018 Mirriad Advertising User Experience Survey

Dealing with ad avoidance

TV services obviously need to find a way to make advertising work, and that will involve new, creative ways of thinking about the advertising model. A new survey by Mirriad finds that 72 percent of industry respondents are concerned about ad skipping; that breaks down to 79 percent of agencies and 76 percent of marketers vs. 62 percent of content distributors and networks. As for the solution, 81 percent said it's important to very important that networks improve viewers' experiences with ads rather than simply cutting ad loads.

Overall

74%

SAID NETWORKS WILL REDUCE THEIR AD LOADS

but only

20%

SAID IT'S THE BEST SOLUTION

Industry players have been banding together to come up with solutions—such as providing deeper insights showing their ads work. Turner, Fox and Viacom formed Open AP in 2017 to focus on standardizing TV audience buying, with NBCU and Univision joining this year. In addition, TV networks met in October 2017 to work on a standardized method to demonstrate that their ads work, while top industry executives have been meeting to figure out solutions to such issues as ratings erosion, measurement and digital rivals.

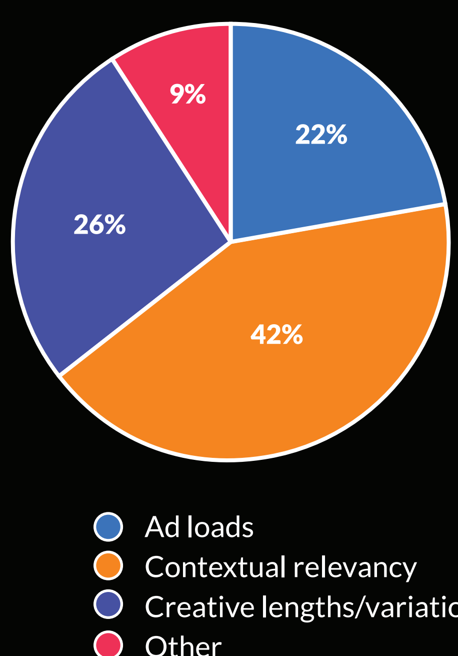
Yet, according to the Mirriad survey, they may be spinning their wheels. When it comes to fixing the problem of ad avoidance, respondents rejected ad load reduction in favor of improving the contextual relevancy of advertising:

- **41 percent** said contextual relevancy is the top solution to focus on rather than ad reduction.
- **57 percent** of brands and marketers favored contextual relevancy vs. just **33 percent** of networks and distributors.
- **25 percent** said creative lengths and variation would improve the viewer experience.

Overall, **74 percent** said networks will reduce their ad loads but only **20 percent** said it's the best solution.

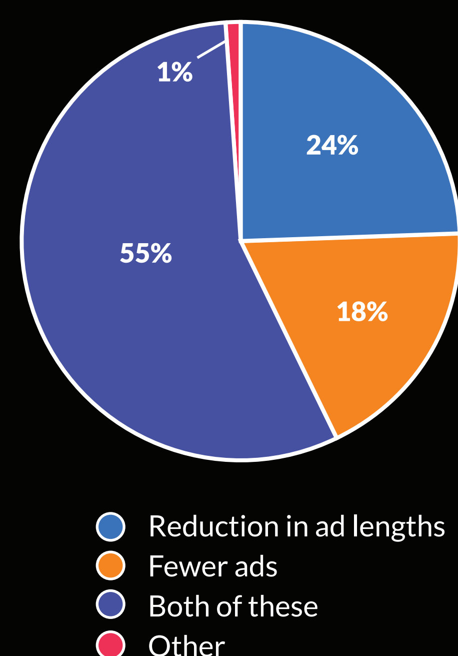
Adjusting the current ad model

What aspect do you think networks should focus on to improve viewer experience?



Cutting ad loads

What will be the result of TV networks' standard in-pod ad lengths getting shorter?



Source: 2018 Mirriad Advertising User Experience Survey

Making up for lost revenue

Of course, with this comes the issue of maintaining, if not growing, ad revenue. In the Mirriad survey, 82 percent of respondents said that reducing ad loads will create a revenue hole for networks. While 86 percent of agencies and marketers believe this will happen, about 67 percent of network and distributors said this will be an issue.

82%

said reducing ad loads will create a revenue hole for the networks

To make up for this drop, respondents said integrating brands into content is the best solution to make up revenue, with 56 percent choosing this, followed by dynamic ad insertions at 52 percent. In-video advertising company Mirriad and others are already offering these options, giving marketers the opportunity to embed products and brand messaging naturally into programming when viewers are already emotionally engaged with characters and content.

For example, products can be digitally placed on countertops, or signage can be added into scenes with campaign messaging. This also allows different products and campaign messages to be embedded for different audiences in different markets, expanding the traditional age and sex demographic model to reach more targeted audiences.

Mirriad works with leading audience measurement companies to create viewability methods for these insertions, establishing a secure and transparent format for advertisers going forward. So far, testing of its 10-second In-Video Ad Units has had excellent results.

Ad avoidance is a big problem that is growing faster than the networks are responding. Reducing ad load is one answer, but it raises even bigger questions: Will viewers still avoid a reduced ad block, and how will the lost ad revenue be replaced? For marketers and networks alike, natural solutions such as In-Video Advertising and Dynamic Ad Insertions offer creative, practical solutions now, not years from now when it may be too late.

Source: Mirriad advertising user experience survey, September 2018 (sample size: 184 executives from agencies, brands, broadcasters/content distributors and video production companies in the US).