

# The Future of TV Report

January 2021

# The CTV Tipping Point



# About this report

## **In 2020, several years of marketing disruption and innovation were compressed into a few short months.**

Nowhere was this more apparent than with television advertising. Whether it was viewers cutting the cord at an accelerated rate, growing wariness around the divisive nature of user-generated content, demand for an alternative to traditional “upfronts,” or new pressure to measure TV advertising performance, marketers are faced with a dramatically different TV landscape as we enter a new decade.

As 2020 drew to a close, The Trade Desk took a closer look at this changing TV landscape. We wanted to investigate how the global pandemic accelerated existing consumer and marketer trends and what this means for the future of TV advertising.

To that end, The Trade Desk conducted two surveys:

- 1.** An advertiser study in partnership with Advertiser Perceptions, surveying 150 marketers in the United States. There was a 50/50 split between agencies and brand direct advertisers. The vast majority were director level or above (91 percent representing directors, VPs and C-level executives). Field work was conducted from November 18 to 30, 2020.
- 2.** A consumer study in partnership with YouGov among more than 2,000 adult (18+) TV viewers in the United States. Field work was conducted from December 4 to 8, 2020. We qualified “TV viewers” as consumers with at least one screen in their household that can be used for viewing TV content.

All references to “our data” are to data sourced from our two commissioned studies with Advertiser Perceptions and YouGov.

The Trade Desk provides this information for the general knowledge of its clients or prospective clients and does not make any representations or guarantees of any kind with regards to future performance based on the information set forth.





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# Introduction

**TV reached a tipping point in 2020.** After 15 percent of consumers cut the cord amid a global pandemic, eMarketer reported that fewer than **78 million U.S. households maintained a cable subscription at the start of 2021.** At the same time, **advertisers could reach more than 84 million households via connected, streaming TV services for the first time**, according to The Trade Desk. This trend is unlikely to reverse. According to new research by The Trade Desk and YouGov, the number of consumers who intend to ditch cable in 2021 climbs to 27 percent, a substantial increase over 2020's already accelerated rate (15 percent).

Connected TV (CTV) is at the heart of this shift. As almost all traditional broadcasters (along with many new ones) offer streaming TV services, consumers benefit from a windfall of premium content that they can watch when they want, on demand. In this new age of television, prime time is anytime.

Advertisers are recognizing these trends and reallocating their ad budgets toward digital streaming services at remarkable rates. In 2020, for example, while ad revenues plummeted 14 percent year over year across all media between January and September, CTV/OTT saw a 17 percent upswing, according to business intelligence company SMI.

*27% of US cable subscribers intend to cut the cord in 2021, up from 15% last year.*

**OTT/CTV Ad Revenue Outpaces All Other Forms of Media, US**  
*US Media Revenue Trend Jan-Sep 2020 vs 2019*

							17%
Revenue % Change	14%	17%	31%	35%	44%	4%	
Total	All Media	TV	Print (Magazines + Newspapers)	Radio	OOH	Digital	OTT

Citation: SMI Pool, December 2020



## Indeed, it's become de rigueur among marketers to acknowledge the rise of CTV as they start to shift budgets away from traditional, linear TV.

However, data indicates there is still a **disconnect between budget allocation and where the audience actually is**. This is especially true for brands that want to reach younger audiences. In practical terms, brands are missing opportunities to reach potential new customers who are no longer tethered to their cable box.

Despite that, our report shows that **perceptions about TV advertising have changed in 2020**, with marketers showing increased interest in the potential of CTV, as compared with linear TV advertising. Overall, an overwhelming majority (89 percent) of marketers feel that CTV advertising is just as effective as, if not more effective than, linear TV. As a result, attitudes are changing around industry "upfronts," an annual ad-buying event which made its debut nearly 60 years ago. While some of those traditional advertiser rites remain, a majority (59 percent) of linear **TV buyers said they're making fewer upfront commitments in 2021**, with ad budgets shifting away from linear TV programming and toward CTV, indicating the industry is realigning around this new marketplace.

One of the most significant findings of our study is marketers' preference for CTV when building awareness for their brands. Forty-three percent of respondents identified CTV as the number one channel for brand storytelling in 2021. That was followed by social media (29 percent) and linear TV (26 percent).

A major driver of these shifting attitudes among both advertisers and consumers is a rapidly

evolving perspective on live sports. The availability of live sports has been a key selling point for linear television for decades. In fact, being able to watch live sports has long been cited as the primary reason consumers continue to keep their cable subscription. However, **the pandemic changed that calculus for many viewers when major sporting events came to a halt in 2020**.

Even as sports return to traditional linear channels, our report suggests that audiences have not followed suit. In fact, viewers are migrating to new ways of watching live sports, including streaming and social.

As a result of these shifts, **TV marketers are adjusting their creative approach to take advantage of the benefits of CTV**, which differ from the norms of linear TV. These forward-thinking brands are looking to develop new types of creative, more tailored to different audiences, while shifting to shorter and more flexible ads that can be changed in-flight. Ads are getting shorter, given that the viewing experience on CTV differs from its linear counterpart. Additionally, marketers are also using more animation in case adjustments need to be made midflight — something nearly every brand experienced during the onset of the pandemic.

Agencies are also adapting internally, bringing on new talent or training existing employees to be fluent in the emerging CTV marketing environment. Such shifts indicate that marketers are rethinking not only where to reach their target audience, but also how.

.....

**89%** **The number of marketers who report that connected TV is more effective than, or just as effective as, similar tools offered through linear TV**

.....





**“CTV advertising has been building over the past few years, but 2020 was a step change with myriad streaming platforms vying for consumer attention and increased opportunities for marketers to make conscious connections.”**

Sean Muzzy, President, North America, Matterkind





# Key Findings

## 1.

### Cost is driving cord cutting

Increased choice in programming, lower prices, more flexibility and fewer commercials are among several catalysts encouraging consumers to cut ties with cable television in favor of CTV this year.

**A whopping 27 percent of current cable subscribers said they intend to ditch cable in 2021, compared to 15 percent of cable TV subscribers who reported they cut the cord in 2020.** This consumer shift toward CTV also might explain why roughly one in two linear TV and CTV buyers plan to shift to an audience-first strategy instead of content-first in 2021.

## 2.

### Consumers look to CTV for sports

Our data suggests that consumers are increasingly turning to digital channels to watch their favorite teams. Viewership for major sporting events, which have historically served as cornerstones for linear, fell significantly last year as live sports came to a halt due to the pandemic. As a result, **almost 39 percent of sports viewers are now watching sports primarily via either ad-supported streaming platforms (21 percent) or social media platforms (18 percent).**

## 3.

### TV buyers rethink the upfronts

**Nearly 60 percent of linear TV buyers said they are making fewer upfront commitments in 2021.** Yet almost a third of those making upfront commitments are seeking more flexibility to cancel without penalty. Those spending less emphasized that they'll redirect their ad dollars toward data-driven solutions, such as CTV.

## 4.

### CTV inspires new ad creativity

A growing number of brands and agencies are approaching advertising on CTV with a different mindset when compared to running commercials on its older, linear counterpart. **Shorter ads and the ability to adjust in-flight are top of mind for over half of TV media buyers (59% and 53% respectively).**

## 5.

### Marketers boost CTV skills

Both linear and CTV ad buyers will focus on CTV marketing skills in 2021, as **37 percent of those surveyed said they intend to hire new talent fluent in CTV. And more than half (55 percent) said they plan to take steps to ensure their TV team can navigate both channels.**

## 6.

### Marketers favor CTV as more effective

Marketers are demanding better, data-driven tools that allow them to tie back their ad spend to business outcomes — something that's become especially important amid a global pandemic and new pressure on marketing budgets. Data-driven advertising also provides agencies with increased agility and new ways to improve ad efficacy. **Overall, the vast majority of advertisers (87 percent) feel that CTV is just as effective as, if not more effective than, linear TV.**



# Cost is driving cord cutting

**When it comes to why viewers are choosing to cut the cord, there is a combination of push and pull factors.**

Almost 50 percent of those who already have, or plan to do so, say their main reason is that cable is too expensive, with 48 percent saying they don't get enough value for the money paid for the service. At the same time, almost 38 percent of respondents say **they're attracted to streaming services** because they offer a better viewing experience, especially with on-demand programming.

The end result is that less than half (49 percent) of TV viewers say they still subscribe to cable TV services today. Furthermore, **a substantial**

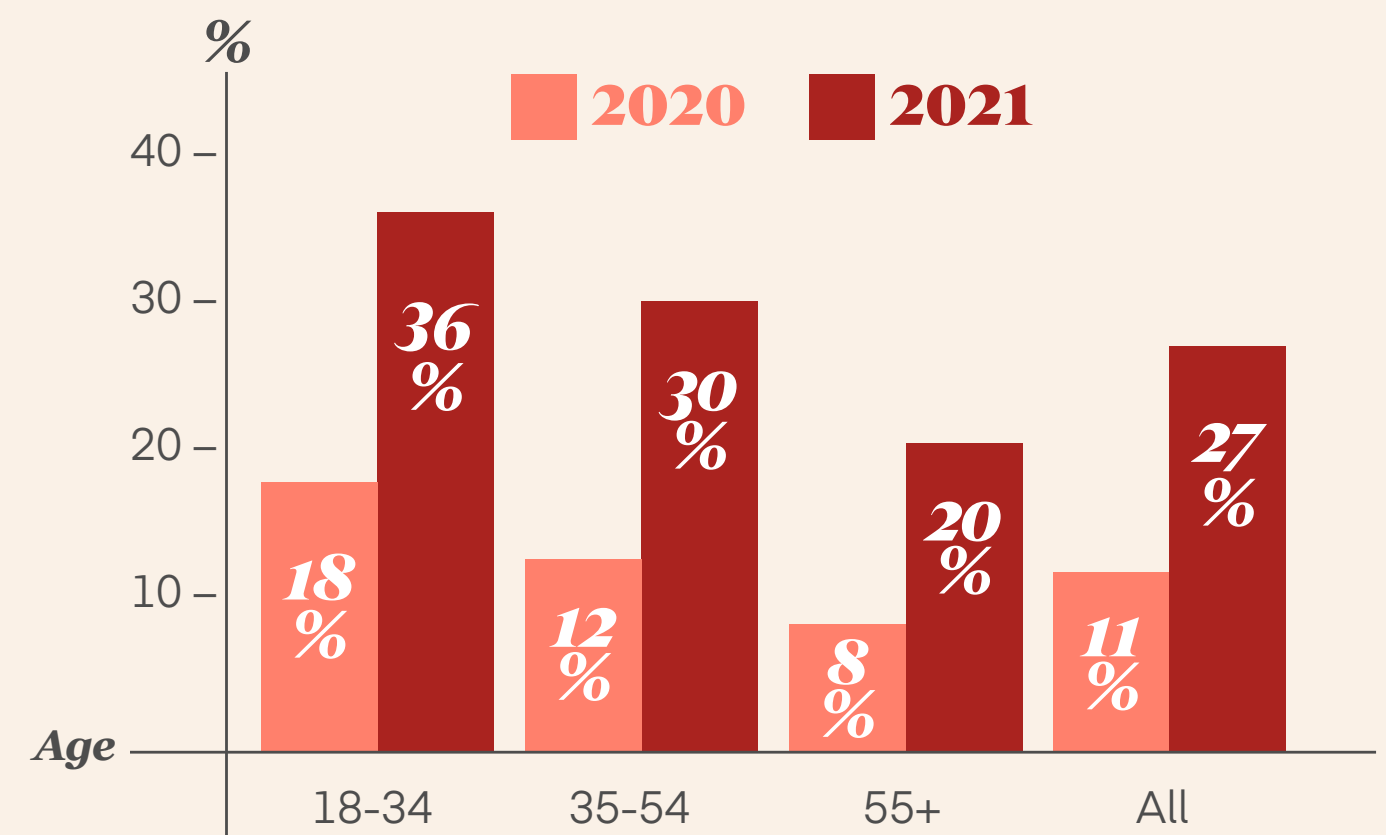
**27 percent of those that still do plan to stop their cable subscriptions this year.** That striking figure means that nearly double the number of households who cut the cord in 2020 (15 percent) are planning to do so in 2021. In terms of the timeline, eight percent of subscribers said they will make this change within the next three months, and the rest at some point during 2021.

Furthermore, as we look at the demographic data, this transition isn't just being driven by millennials or digital natives. In fact, 20 percent of cable subscribers 55 and older said they plan to cut the cord, a significant increase from last April, when eight percent said they would ditch cable by the end of 2020.

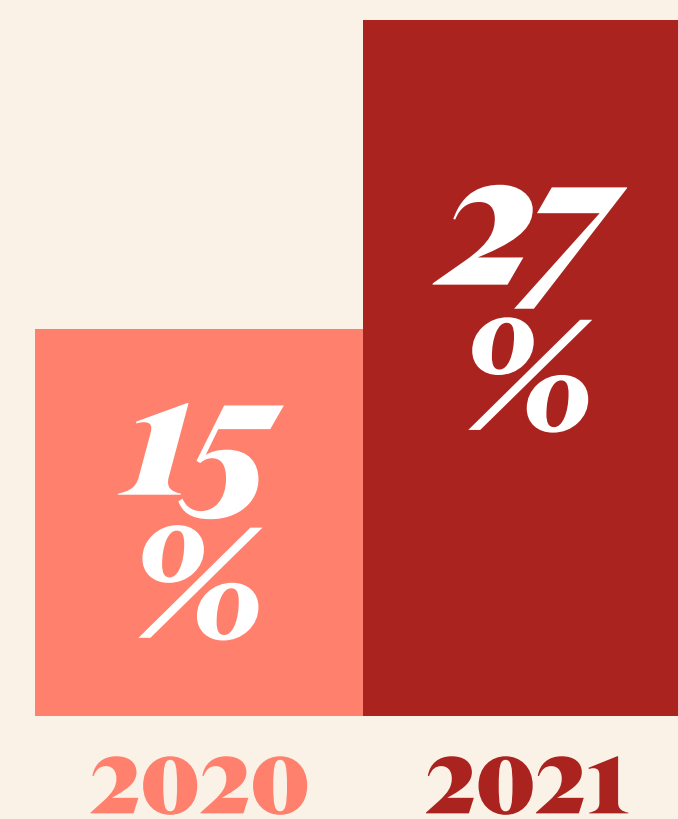
## Cord-cutting Accelerates Across All Generations

*A breakdown of who intends to cut the cord*

*By age, 2020 vs. 2021*



*Nearly 2x households intend to cut the cord in 2021*





“2020 will be seen as a ‘moment in time’ for ad buying, the way we buy TV is forever changed – there is no turning back, only racing forward.”

Mike Law, President of Dentsu's Amplifi

Additionally, once the cord is cut, there's no going back: Almost 79 percent of people who stopped paying for cable, or never had it in the first place, say **they are unlikely to subscribe again**. For marketers, this permanent shift to streaming means they must rethink how to engage their existing and new customers.

“Look at the audiences and look at the ages of the audiences. The trend is not going back to cable,” the chief marketing officer of a major toy brand told The Trade Desk.

According to our data, the top three reasons why cable subscribers are sticking around include live sports, news and other live programming. But the proliferation of streaming services and social media platforms means those boxes can now be ticked elsewhere. In the past, streaming services were viewed as an add-on to cable, as consumers had good reason to hang onto their cable subscriptions.





# Consumers look to CTV for sports



Linear television's traditional reliance on live sports was upended in 2020. And that's not simply because of the postponement of the Tokyo Olympics. Blame the pandemic for this precipitous blip, as sports came to a necessary halt last year. Even athletes had to retreat to their homes, as arenas and sports stadiums remained empty for several months. What was a poor sports fan to do?

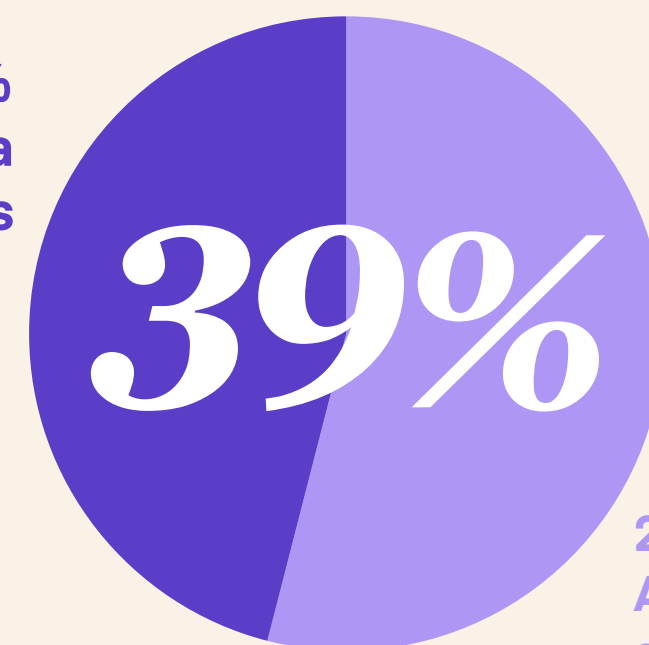
Well, according to our data, it was yet another reason to ditch the old cable package and cut the cord. Only 30 percent of cable subscribers with no plans to cut the cord say they're keeping cable because of live sports. In the past, broadcasting live sports was a primary selling point for linear TV. And as late as April 2020, live sports, news and other live programming were among the reasons 60 percent of cable subscriber respondents cited for maintaining

cable subscriptions, according to The Trade Desk's previous CTV survey.

But since live sports returned to our screens, evidence suggests that sports lovers have used the opportunity to find new ways to watch. According to our data, **21 percent of live sports viewers now primarily watch their teams via ad-supported CTV/streaming platforms such as Hulu, Sling TV or Fubo.tv**, while another 18 percent watch via YouTube or similar services. In aggregate, **almost 39 percent of consumers are now primarily watching sports via ad-supported platforms or social media**, a figure that matches the 39 percent who continue to watch on cable.

*Sports fans report they primarily watch their favorite teams on ad-supported streaming and social media platforms.*

**18%  
Social media  
platforms**



**21%  
Ad-supported  
streaming platforms**





**“Live sports is the most important Jenga block holding up the entire legacy media ecosystem.”**

Rich Greenfield, Media Analyst, LightShed Partners

## **As sports streaming becomes more flexible and viewer-friendly, this dead heat will likely turn into a gap, with streaming pulling ahead.**

In 2020, viewership for major sporting events, which have hitherto proved to be big drivers for linear, fell significantly. The lowest-ever rated and least-ever watched NBA finals game was game 3 of the 2020 NBA finals, with a 3.1 rating and only 5.95 million viewers, according to Nielsen data. The average viewing figure over the six-game series was 7.5 million households, a 51 percent decline over the previous year.

Obviously, this dramatic drop happened during a pandemic, and during a presidential election that also ate into audience share, but the trend suggests that the events of 2020 likely will have changed sports viewership for good. Even the stalwart NFL has underperformed, prompting the NFL to offer advertisers discounts on commercials during its games, [according to the Wall Street Journal](#).

At the same time, streaming channels are poised to disrupt the way live sports business has been done. For instance, Amazon Prime Video, ESPN+, NBCUniversal's Peacock and DAZN, are all reported to be interested in bidding for the NFL's Sunday Ticket when it goes up for auction after the 2021 season.

Meanwhile, in 2020, NBCU's ad-supported Peacock picked up top-flight matches from the English Premier League, with additional subscription fees. Last year, the streaming service was poised to reach a large audience with coverage of the Tokyo Olympics, including the opening and closing ceremonies. According to a [YouGov study](#), conducted in partnership with Variety, in January 2020, the Olympics was expected to be a key draw for NBC's Peacock platform.

Live sports is “the most important Jenga block holding up the entire legacy media ecosystem,” LightShed Partners media analyst Rich Greenfield [told CNBC](#) last February, just before the pandemic interrupted everything.

If true, current viewing trends and the appetite of streaming platforms to embrace live sports have the potential to transform how we think about reaching live sports viewers through advertising.



# Viewers renegotiate TV's value exchange



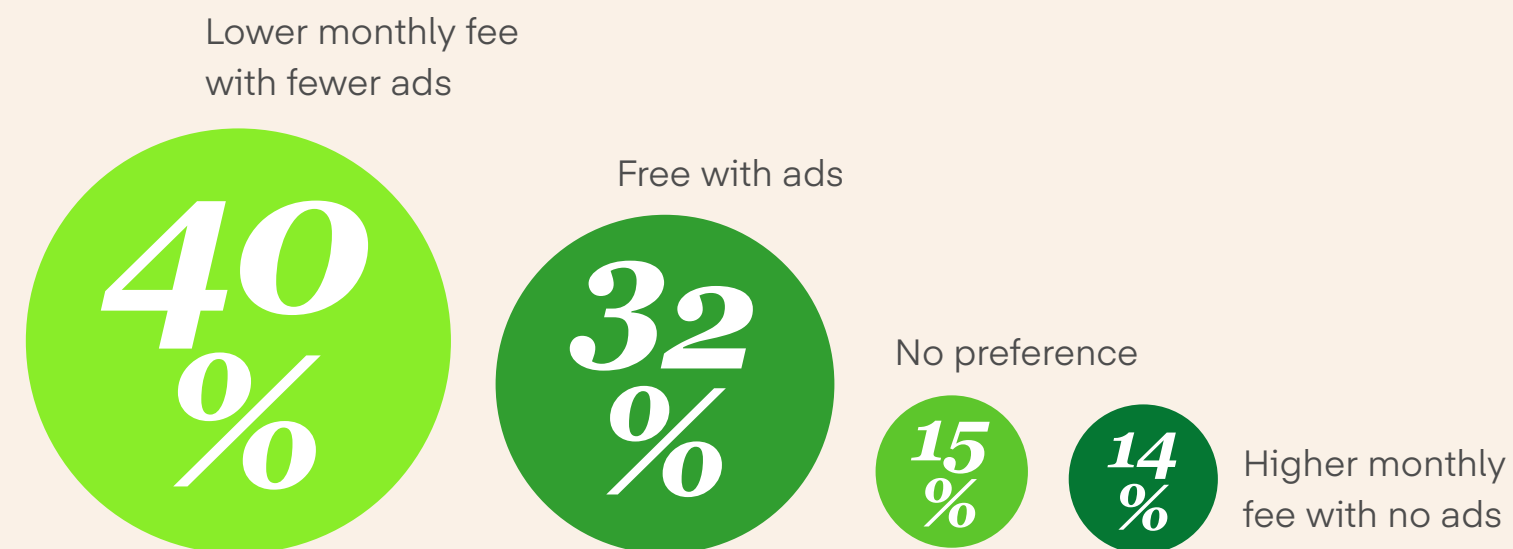
**Having cut the cord to save money, TV viewers say they don't want to spend too much on streaming subscription services, with 51 percent saying they won't pay more than \$20 per month.**

Because multiple streaming subscriptions can quickly become expensive, ad-funded streaming TV platforms are becoming more attractive for consumers. There are strong indicators that the value exchange of advertising — ads for content — may be a very different experience on CTV/streaming platforms versus traditional linear TV. Some 57 percent of TV viewers say they would be “open” to lowering their subscription cost on a paid streaming platform by seeing ads every other episode while watching a show, in other words with less frequent interruption. Another 40 percent said they would prefer ads that are tailored to their interests.

New expectations for fewer ads aren't necessarily a bad thing: Only 14 percent of TV viewers said they were willing to pay a premium for an ad-free experience, while more than five times as many (71 percent) preferred either a free (32 percent) or lower-cost (40 percent) ad-supported model.

## Preferred Subscription Method

*US Consumers*







In effect, consumers are indicating they want to renegotiate the value exchange of television. It makes sense then that savvy marketers are making creative adjustments to answer this call and improve performance. For instance, 59 percent of linear TV and CTV advertisers surveyed said they found success with shorter ads in 2020 and plan to carry this into their strategy in 2021.

Furthermore, marketers are taking steps to make sure their TV team is fluent in both linear and CTV, with 55 percent saying they're seeking tighter integration between the teams. A further 37 percent said they were hiring new talent fluent in CTV to bolster the linear TV competencies already in play.

Although a different creative approach may be required, the pivot to CTV is believed to be worth the investment. Our findings show that marketers are realizing that data-driven solutions

provide significant agility and flexibility while also bolstering measurement and targeting capabilities, especially when compared to their linear alternatives. In fact, 60 percent of linear TV and CTV buyers said they are shifting budgets to programmatic in an effort to improve agility and efficiency, according to research by The Trade Desk. It's also proven remarkably effective at meeting campaign goals: Ninety-five percent of those surveyed said CTV achieved desired key performance indicators, or KPIs.

"You're going to see challenger brands that are embracing data-driven advertising...begin to take market share away from traditional powerhouses. You're going to see shifts happening, simply because they're more agile than traditional brands," says Tom Edwards, the chief marketing officer of TripleClix, an agency that works with brands such as Microsoft, Kellogg's, and Ferrara.

Of course, increasing sales or achieving KPIs is critical, as marketers are now under increased pressure to tie ad spend back to business outcomes. The good news is that data-driven solutions also bolster measurement capabilities, according to marketers, as 89 percent said CTV measurement was more effective than, or just as effective as, similar tools offered through linear TV.

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.....

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Tom Edwards, Chief Marketing Officer, TripleClix





# Upfronts get turned upside down

With more consumers ditching the cable box, brands are questioning whether it makes sense to commit large amounts of ad spend into the “upfronts” ad buying model. Companies want to be nimble in a rapidly evolving market, and making billion-dollar decisions over cocktails during an annual event in New York City doesn’t make sense in a digital-first world.

Some of those moving away from the upfronts are doing so with the intention of spending more on data-driven channels, which allow them increased flexibility, better targeting and measurement, according to our findings. Nearly 60 percent of linear TV buyers said they intend to spend less at the upfronts this year when compared to 2020.

Among those expecting to spend less, half will reallocate those ad dollars to programmatic video. Meanwhile, half of all respondents said



they will adjust their TV buying strategy in 2021 by shifting to an audience-first strategy, a marquee offering of CTV.

Brands are recognizing that CTV changes the calculus of audience targeting. With linear TV, marketers focused on content in the hope that their target audience would tune in. But with CTV, like all digital advertising channels, marketers can target an audience with much more certainty that they are watching. Such an audience-first strategy delivers more precise measurable outcomes. TV media buyers ranked the ability to target consumers 1:1 (27 percent), advanced measurement and analytics (25 percent), and delivering to hard-to-reach audiences such as young consumers and cord-cutters (25 percent) among the top benefits of connected TV advertising.

**“We are  
not going to  
go back.”**

Marc Pritchard, Chief Brand Officer, Procter & Gamble, in a Sept. 2020 Ad Age interview on whether the world’s largest ad spend would return to the upfronts.



“What we’re seeing is that companies want to be much more nimble in what’s a very volatile market. Making these decisions way earlier during the upfronts just isn’t efficient anymore.”

A Chief Marketing Officer of a major brand told The Trade Desk

*60% of linear TV ad buyers said they will spend less at the upfronts event this year.*

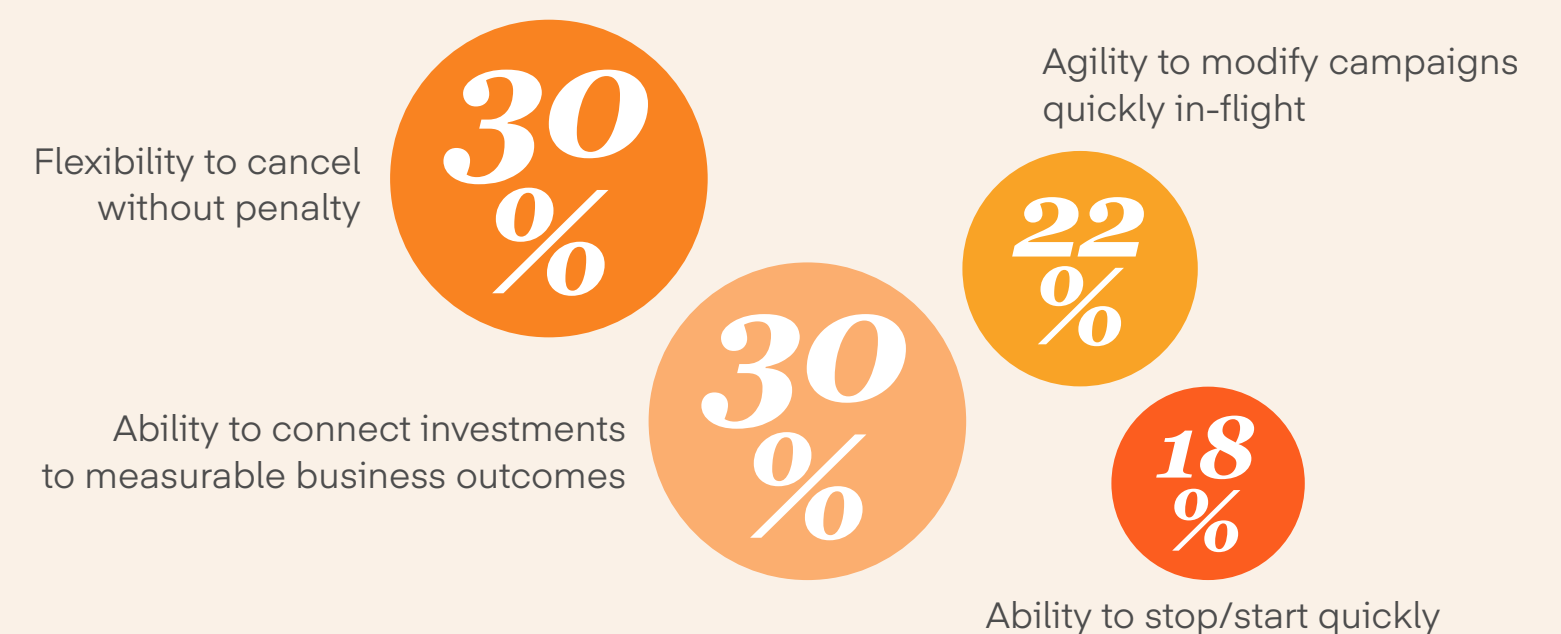
Measurement and flexibility are also impacting the upfronts, as both were highlighted as areas that matter most when making 2021 commitments: 30 percent of linear TV and CTV ad buyers said the top criteria for making commitments next year will be flexibility to cancel without penalty and the ability to connect investments to measurable business outcomes.

In December, David Cohen, CEO of the IAB, announced the 2021 NewFronts — which serve as a digital alternative to the upfronts — will for the first time provide buyers and sellers a complete marketplace inclusive of video across every screen.

“Buyers could not have been clearer coming out of the 2020 NewFronts: they want to move the video marketplaces closer together to make it easier to buy,” said Cohen. “Streaming is the future, and the future is now.”

### Top Criteria for TV Ad Buyers in 2021

*Agency and Brand TV Ad Buyers, US*





# TV at a tipping point

**2020 will be remembered as a tipping point in TV advertising. It was the year that marketers could reach more U.S. households via streaming TV services than traditional cable TV.**

It was the first year in decades that fewer than half of U.S. households had a cable TV subscription. Up until the end of 2019, the average cord cutting rate was between three percent and four percent per year, according to data by eMarketer. That changed in 2020 when the rate more than tripled, and it's expected to accelerate dramatically in 2021. And the number one reason that consumers have historically held onto those cable TV subscriptions was for access to live sports. That's no longer the case, as more viewers are increasingly watching their favorite teams through streaming and social media platforms.

These accelerated shifts are having a significant impact on how marketers think about every aspect of TV advertising. This includes traditional processes such as the upfronts, skills development, measurement and creative. In 2021, advertisers should recognize that shaping the hearts and minds of consumers means prioritizing a CTV focus, regardless of how much of their linear investments they intend to maintain.

Advertisers understand more than ever that their most coveted consumers are digital-first viewers. In fact, our data found that the intent to cut cable

TV in 2021 among Gen Z subscribers, between the ages of 18 and 24, is nearly twice as high as last April (32 percent, up from 17 percent in April). Furthermore, consumption patterns for Gen Z TV viewers show just over half (51 percent) spend three or more hours a day watching streaming content.

These tech-savvy digital natives account for 40 percent of consumer buying power in the U.S., according to a report by Business Insider Intelligence. To put it more simply, as one agency-side chief marketing officer told us, "My 18-year-old does not watch television. Linear television spend would be a complete waste of time on him and a majority of his friends."

Although Gen Z viewers may be at the forefront of this revolution in TV viewing, the same trends are present across age groups, and are accelerating year over year. Pioneering marketers are embracing this shift and are starting to leverage the power of applying data to their massive TV ad campaigns for the first time: They can measure their TV campaigns at a granular level, targeting specific audiences effectively; they can manage the consumer experience more precisely, across channels and devices; they can adapt and customize campaigns on the fly; and they can experiment with innovative new ad formats. For these marketers, building brand loyalty with today's digital-first consumer is a radically different, data-driven process, compared to traditional TV advertising. And just like the viewers who won't be returning to cable, these marketers will continue to chart the new frontier of the TV advertising innovation.



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