

2019 CONSUMER OTT REPORT

A deep dive into how streaming services
are capturing consumer attention and how
advertisers can capitalize



2019 Consumer OTT Report

OTT has grown to make up an increasingly large percentage of all consumer time spent with media and advertisers and content creators alike are now navigating uncertain and uncharted waters to better understand the sea change underway in how video content is consumed.

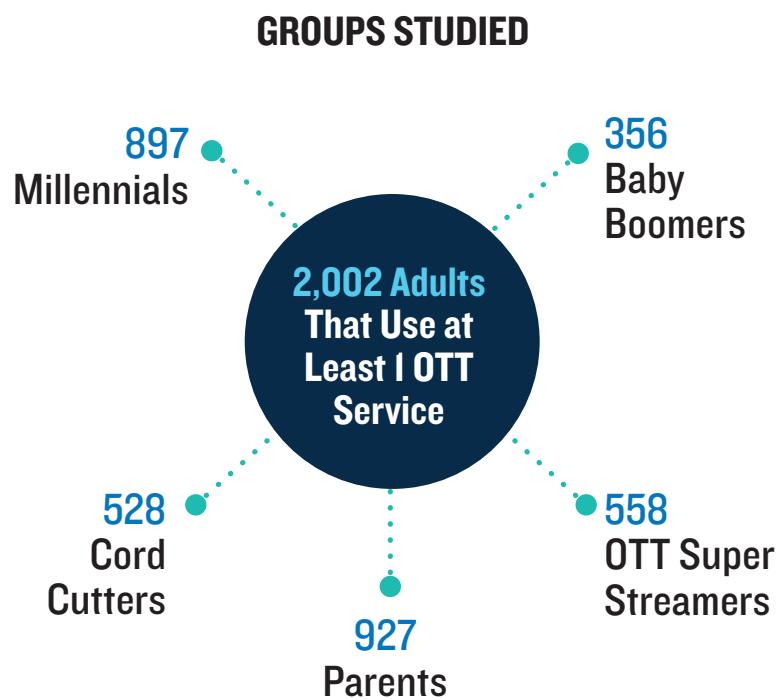
Against the backdrop of rapidly increasing time spent in OTT environments OpenX teamed with the global consumer polling firm The Harris Poll to undertake the most comprehensive assessment of the OTT consumer completed to date. The 2019 OTT Consumer Report found that more than half of all Americans now use an OTT service. With streaming now mainstream, "appointment TV" will never be the same as consumers increasingly turn to video content that they have curated for themselves, that is accessible across all of their devices, and is available at a date and time that is convenient to them.

For advertisers, this presents a massive untapped opportunity. In 2018, US advertisers spent approximately \$70 billion on TV ads, yet just \$2 billion was spent on targeted, addressable TV ads. With OTT capturing a significant percentage of total consumer video time, yet less than 5% of total spend, an enormous shift in how marketers diversify their advertising strategy is on the horizon.

The OTT era has arrived and with it comes a new and disruptive opportunity to elevate the power and efficacy of television brand marketing.

Research Methodology

2019 OTT Consumer Report included a nationwide survey of more than 2,000 self-identified OTT users across generations, income and household status conducted by The Harris Poll. The study delved deeply into the consumption habits, device preferences, desired billing models and user appetite for more content choices. This survey was conducted online within the United States from February 16 to March 6, 2018. The results were weighted to be nationally representative within a margin of error of 2.2%.



OTT Is Now Mainstream

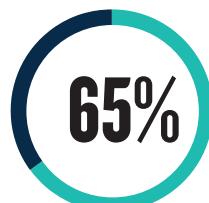
The majority of US households now contain a Smart TV, and the mainstream availability and affordability of Smart TVs has helped fuel the rise of OTT, as most Americans now use at least one OTT service. A majority of OTT streamers subscribe to three different content platforms.

The evolutionary shift in TV consumption habits is sweeping across every demographic group surveyed. Unsurprisingly, millennials watch the most OTT content. However, almost one third of Americans 55 and older use OTT services as well. Every demographic group is now streaming, and they are streaming a lot.

OTT Usage by Age Group



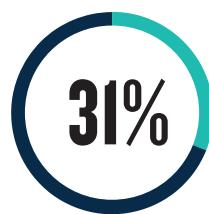
ALL AGE GROUPS



AGES 18-34



AGES 35-54



AGES 55+

Americans Watch OTT Content Everywhere



70% WATCH IN BED



30% WATCH WHILE ON VACATION



21% WATCH AT THEIR DESK AT WORK



30% WATCH IN THE BATHROOM

Cord Cutters Burners

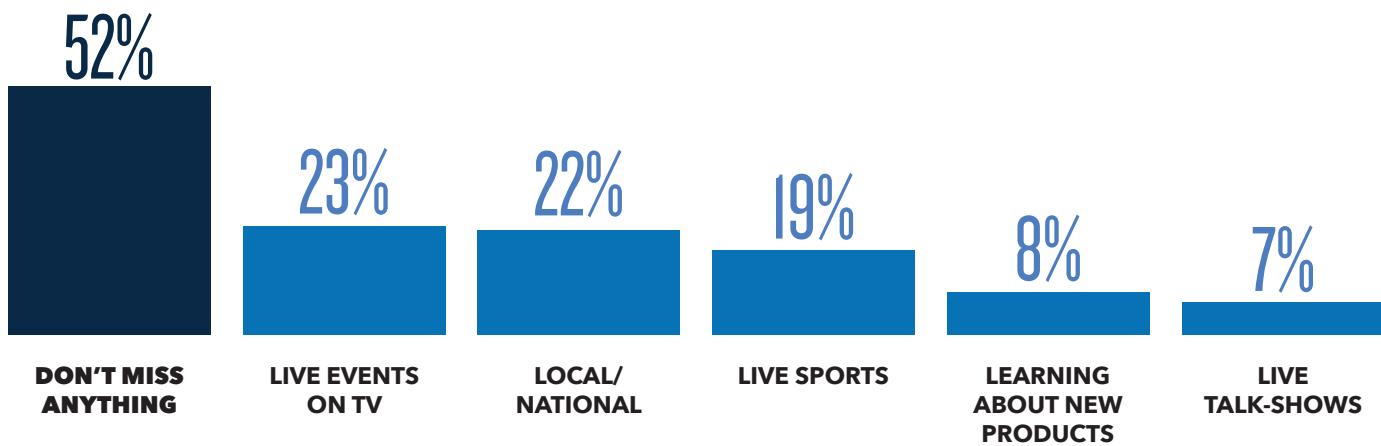
The addition of OTT viewing time is not purely additive to overall time spent on video. In fact, 15% of OTT consumers watch zero live television and most OTT watchers consume more OTT content daily than traditional TV.

Put more succinctly, a majority of Americans spend more time watching OTT than they spend watching traditional cable television.

With a declining appetite for live TV, a majority of consumers that watch an OTT service have either cut the cord already or plan to do so within the next year. Cable companies have recognized this shift and are making smart moves to provide content to their customers in new ways. In the coming year, with the launch of a WarnerMedia OTT service from AT&T and an NBC Universal streaming service from Comcast, several major cable companies will make significant moves to continue evolving for an OTT world.



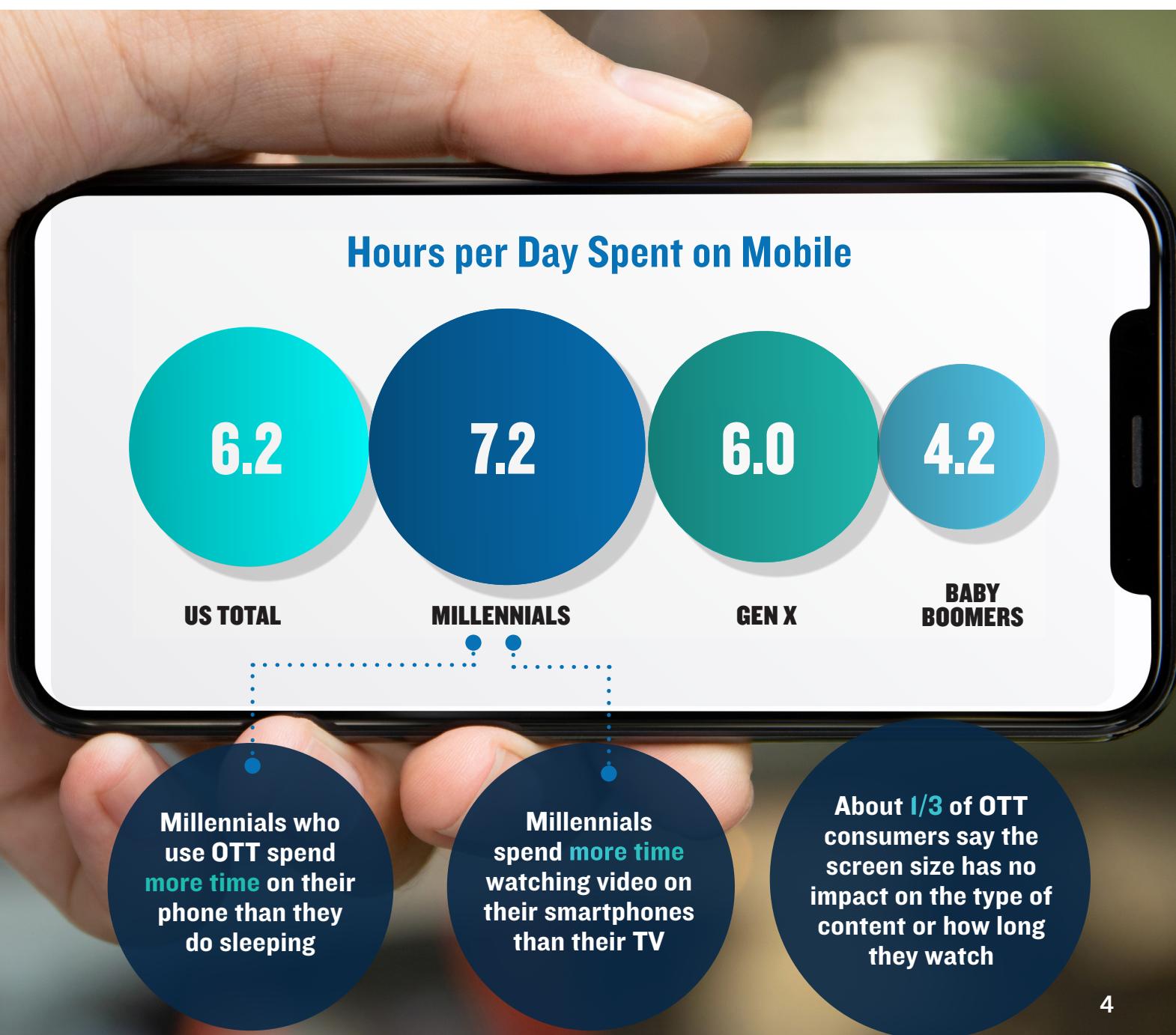
What Cord Cutters Miss About Cable/Satellite TV?

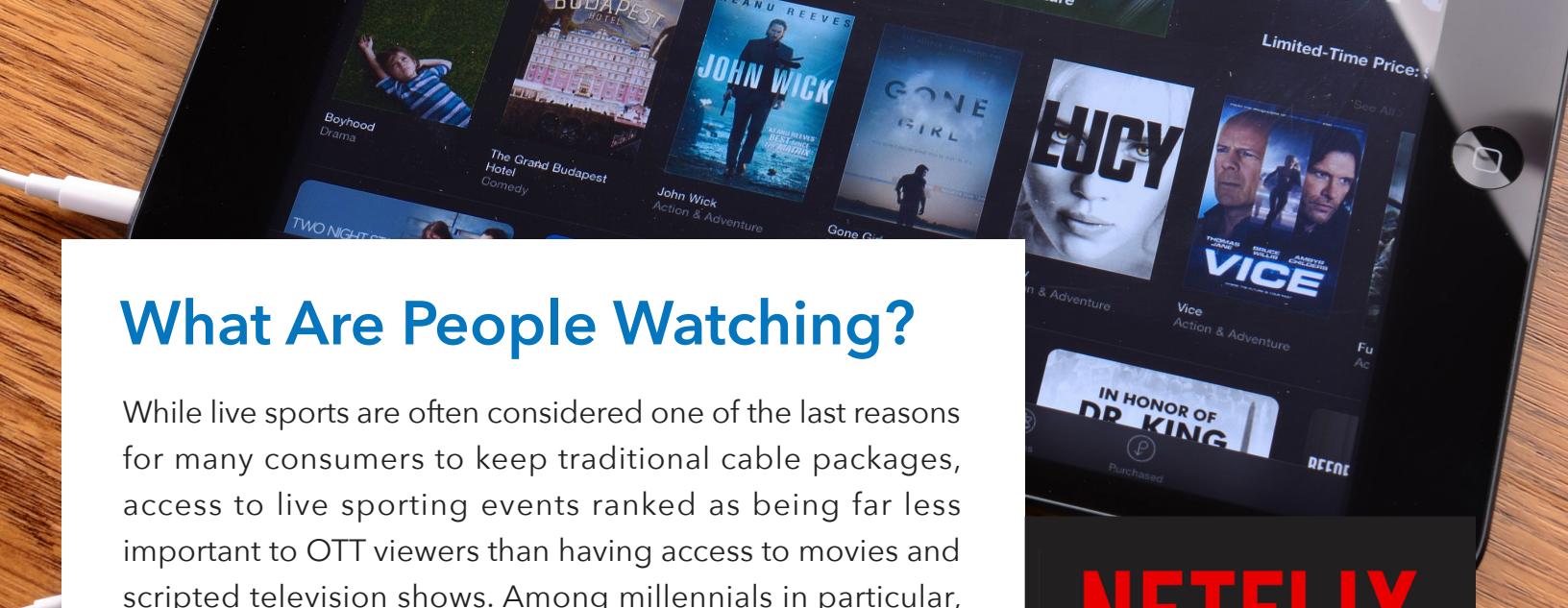


Streamers Are Overwhelmingly Mobile

Consumers who use at least one OTT service are heavy mobile users, with many saying they are on their smartphone for more than 6 hours every single day. Streamers also consume more than 2.5 hours of video content every day on their smartphones.

With the average OTT user streaming across three different devices, the need to understand the actual viewer behind the content, as well as the format in which they are consuming it, has never been more important to delivering relevant advertising, in an engaging format that fits the device.





What Are People Watching?

While live sports are often considered one of the last reasons for many consumers to keep traditional cable packages, access to live sporting events ranked as being far less important to OTT viewers than having access to movies and scripted television shows. Among millennials in particular, news and live sports ranked significantly lower than other ages, likely due to millennials' reliance on social media and other digital channels for accessing breaking news and live sports updates.

When looking at what content is most popular, even with OTT platforms spending billions of dollars on original content, not a single Netflix, Hulu or Amazon original made the top 10 favorite TV shows of OTT users polled. However, the most popular shows, from "The Walking Dead" to "The Office" are currently available on multiple OTT platforms.

Most Valued Cable & OTT Content

Type	US Total	Millennials	Gen X	Boomers
Movies	74%	75%	77%	67%
News	49%	38%	55%	64%
Scripted TV	48%	47%	48%	51%
Live Sports	42%	37%	46%	43%
Live Events	32%	37%	32%	19%
Documentaries	28%	27%	29%	24%
Other	3%	3%	3%	3%
None	3%	4%	2%	3%

**Out of Americans
who use at least one
OTT service
86% use Netflix**

OTT Streamers Favorite TV Shows

1. The Walking Dead
2. Game of Thrones
3. Big Bang Theory
4. NCIS
5. Grey's Anatomy
6. This Is Us
7. Friends
8. Shameless
9. Supernatural
10. The Office

Content Overload & The 15/100 Rule

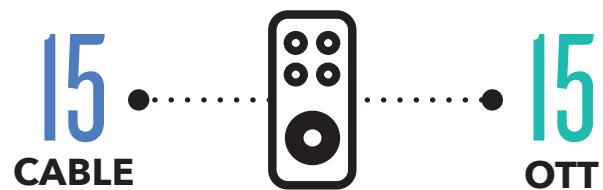
With overlapping content on channels, and new OTT services regularly popping up, a majority of consumers report feeling overwhelmed by the number of OTT options available today.

However, regardless of whether it is traditional cable/satellite or OTT, consumers are consistent in how much they are willing to pay and the amount of content they view. Dubbed the 15/100 rule, consumers want about 15 cable channels or OTT services, and are willing to spend \$100/month total.

Average Cost of Cable / Total Amount Willing to Pay For OTT



Average Number of Channels Desired



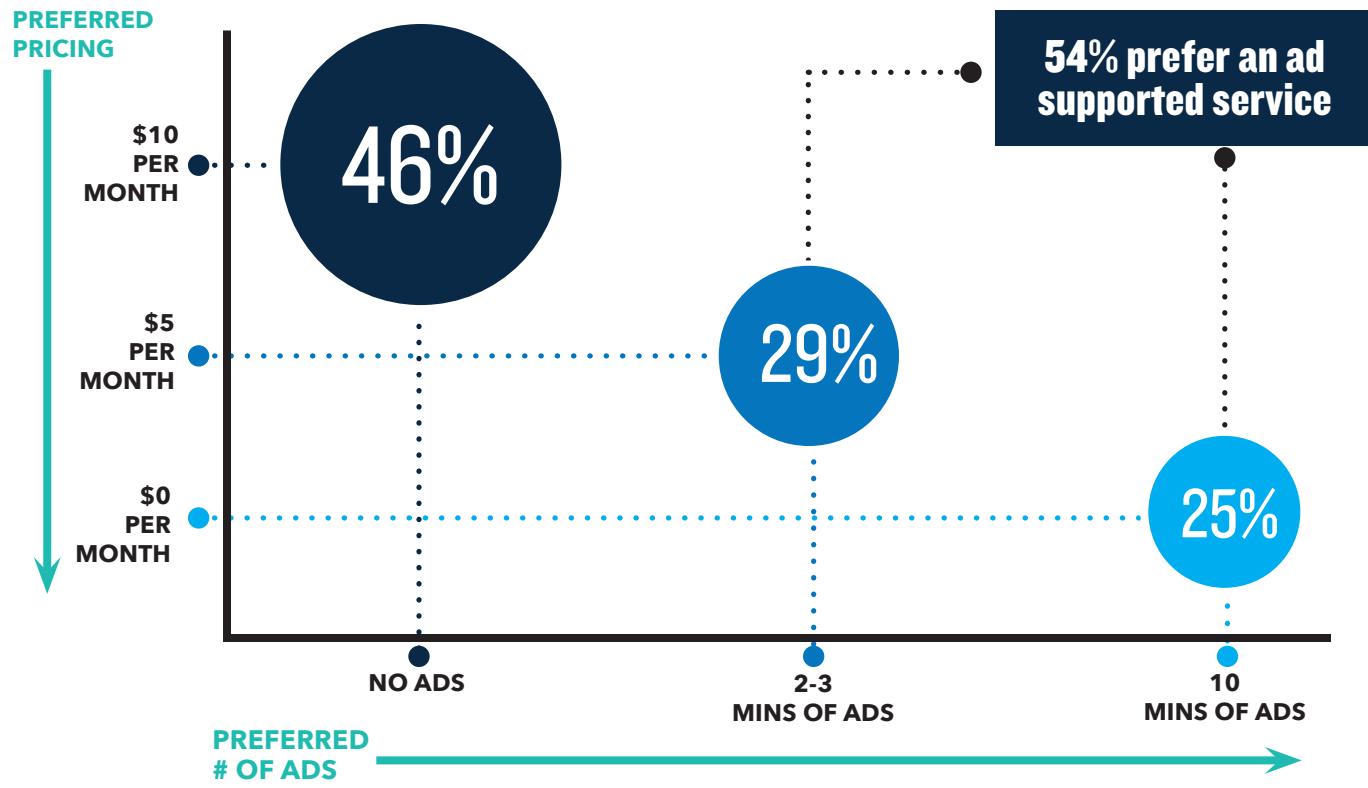
For the right type of premium experience, streamers are willing to pay up to \$24/month for a single OTT service - nearly twice the current Netflix subscription price

Ad Supported or Subscription Models? There Is Appetite for Both

With some leading OTT services relying solely on subscriptions (Netflix, Apple TV+), some opting for an ad supported model (PlutoTV) and others taking a hybrid approach (Hulu), there is an ongoing debate around billing models and pricing.

Consumers have very different feelings about how they want their OTT content paid for, creating multiple opportunities for providers to monetize their services. A slim majority of viewers would prefer a cheaper or free ad supported service rather than a more expensive service with no ads. However, people are divided on exactly what this looks like and as a result, it is likely diverse billing models will emerge.

The Preferred Business Models for Consumers

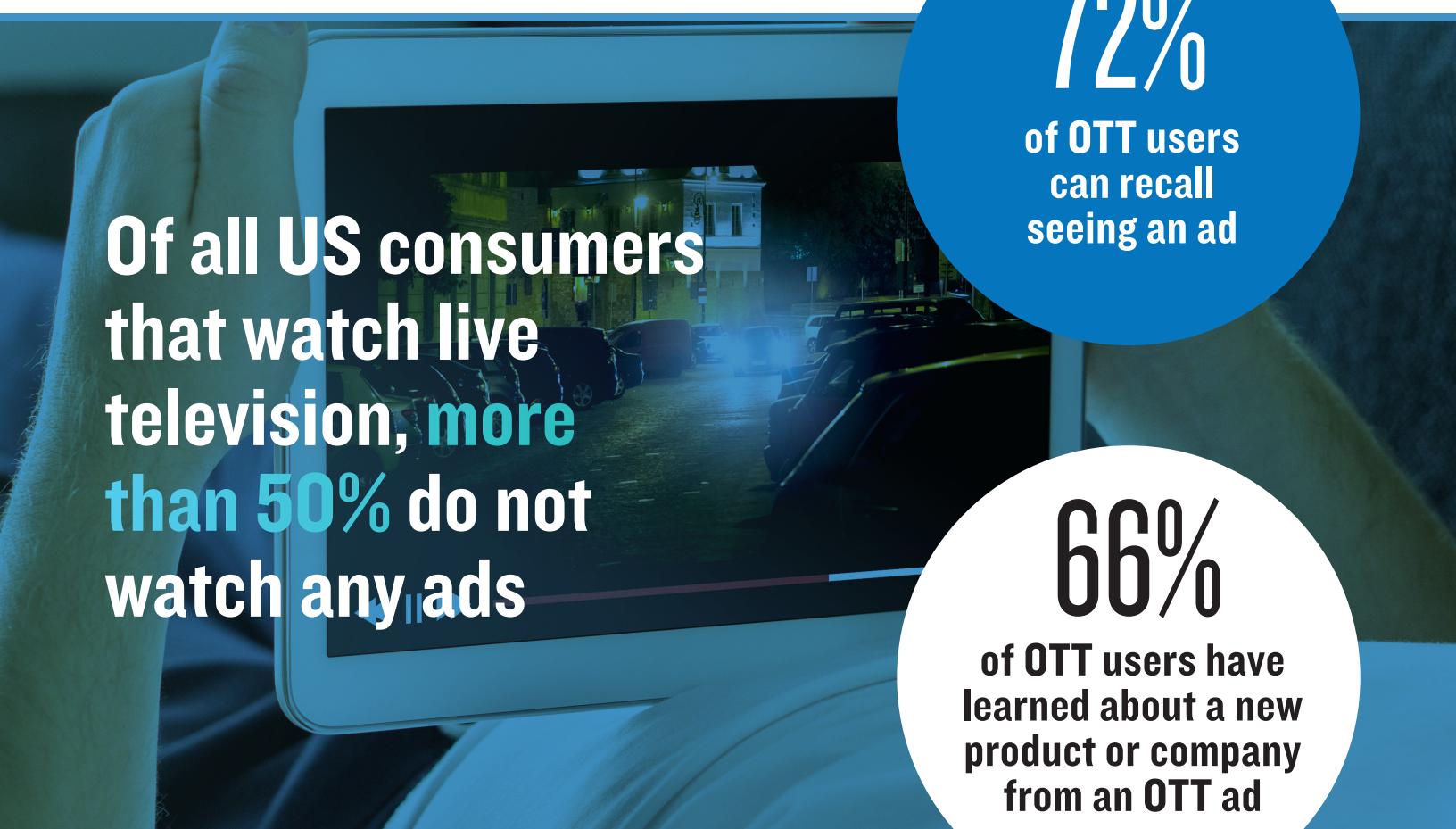


The Opportunity with OTT Advertising

US advertisers spent nearly \$70 billion on TV ads in 2018, yet less than 5% went to targeted, addressable TV ads.

OTT ads, while nascent, have proven effective, with 72% of OTT consumers having recalled seeing an ad and a surprising 40% of those who have seen an ad having "paused to purchase", where they paused content to buy or learn more about a product.

The opportunity for brand marketers is to reinvent how they approach OTT advertising to deliver the TV-like creative experience consumers enjoy, in the newly relevant and highly targeted way OTT enables.



Of all US consumers that watch live television, more than 50% do not watch any ads

40%

of OTT users have paused their content to purchase or learn more online



72%

of OTT users can recall seeing an ad

66%

of OTT users have learned about a new product or company from an OTT ad

OTT Advertising: Delivering Relevant 1:1 Ads

Of consumers who want a fully ad-supported model, they are willing to watch 7-10 minutes of ads an hour for free OTT content; much less than the amount of ads they see today on broadcast TV. If ads can be more targeted, however, there is an opportunity for advertisers to cut down on the total number of ads shown. Fewer, more effective ads will deliver a higher return for both the brand marketer and for the content creator who will be able to charge more for their highly desirable inventory - a true win-win.

When building out addressable TV strategies, however, the rampant password sharing in OTT will make life difficult for advertisers that do not go beyond logged in passwords and traditional targeting formulas to develop campaigns. For OTT advertising to reach its full potential, advertisers need to understand, in a fully privacy compliant manner, the entire data picture of the user behind the screen. By unlocking a true people based marketing approach to OTT, advertisers will be able to deliver the 1:1 advertising experiences consumers want, driving far greater ROAS for marketers and streaming providers alike.



72% of OTT users understand there is a tradeoff between watching free content & having advertisers use their data to serve ads

I/3 of consumers use shared passwords with OTT services



A majority of all US consumers say they are not bothered by ads when they are relevant

Key Takeaways for Marketers

Start testing. While OTT ad inventory is available today, and over 70% of OTT consumers can recall ads they have seen, it is early in the maturation cycle. Advertisers can use the inventory available today to test, see what works for their brand, and when the floodgates of OTT fully open, they will be ready to capitalize.

Build video creative for both big screens (CTV) and small (smartphone). OTT users watch hours of video content a day on lean-forward, mobile devices, which provides a different experience than the traditional lean-back experience of TV. Have creative that works for both.

Ensure media buying teams understand traditional and digital. OTT is blending together mediums and eliminating the traditional divide between digital and TV. For optimal efficiency, media planning and buying teams need expertise in both worlds.

Use more than a login to understand the user behind the screen. With a third of consumers sharing passwords, advertisers need to think beyond logins and create more holistic people based marketing approaches that unify multiple data points to target the actual user behind the screen.

OTT ads offer the ability to target lower funnel activity. 40% of OTT consumers have paused the content they are watching to learn more about a product or make a purchase. Marketers have the ability to go beyond pure brand awareness, and run creative that will inspire immediate action.





Key Takeaways for Publishers

Users are open to ads. A majority of streamers are open to an ad supported model. OTT is not a one size fits all ecosystem, however, and there is a split amongst streamers about the exact number of ads they want to see, with some preferring fully ad supported and some preferring a hybrid approach with both ads and a discounted subscription.

Evaluate and consider 1st party data to enable more personalized ads. OTT streamers generally want fewer ads per hour than they see with traditional TV, so think about how to best leverage data to let advertisers show more personalized ads, so CPMs can increase and offset a decrease in ad load.

OTT was originally millennial-driven, but today everyone is watching. Millennials, the demographic with the most people and spending power today, are leading the charge on OTT, but consumers of all ages are migrating in large numbers to OTT content. Make sure all demos are considered when building content strategies.



OpenX powers highly relevant advertising at global scale, delivering quality and value to brands, publishers and consumers across every type of connected screen and ad format. The company's leading technology aggregates, curates and values consumer interest in real time on one of the world's largest and highest quality ad exchanges to ensure marketers reach exactly the audience they want. OpenX serves more than 30,000 of the world's most recognized brands, more than 1,200 publishers and more than 2,000 premium mobile apps.

To learn more about the report, visit <http://www.openx.com/ottresearch>