The Complete Guide to Getting Started with OTT Advertising

newpath

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Television viewing habits have changed dramatically over the past decade as cable television subscribers have switched to –and younger viewers choose – Over-the-Top (OTT) internet-based streaming services such as Netflix, Hulu, Disney Plus, YouTube TV, and more.

Advertisers need to adapt their media buying strategies to include OTT. The good news is that TV and video advertising is more accessible than ever for small businesses and organizations that don't have million-dollar traditional TV budgets.

Overview of OTT Advertising
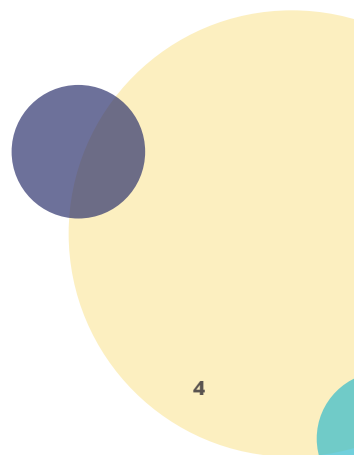
OTT Media Service

OTT, or Over-the-Top, is a method of delivering video content over the internet to connected devices, including:

- Mobile devices
- Personal computer
- Smart TV/Connected TV
- Streaming devices (Roku, Apple TV, Amazon Fire)
- Gaming consoles

One does not need a subscription to a cable or satellite provider, only access to the internet to view this content.

OTT Subscribers

There are more than 197 million OTT subscribers in the US, and recent data from Kantar shows that 85% of US households have a video subscription service. Video streaming growth is primarily Free Ad-Supported TV (FAST), and subscribers are stacking video streaming services with the average household using 4.7 video streaming services.

With high-quality video content easily accessible across all connected devices, the most popular type for streaming is the box/stick (Amazon Fire, Roku, Apple TV). Streaming on smart TVs and other devices continues to grow, with only gaming consoles experiencing a decline in streaming viewership.

The Benefits of OTT Advertising

OTT advertising involves buying ad space on streaming video services. These internet-based video advertisements reach consumers as they actively view video content on connected devices. It's like advertising on TV but is bought programmatically or through streaming media platforms. OTT ads are great for increasing reach and building frequency.

You can reach viewers beyond the traditional TV marketing landscape with OTT advertising. Bringing together the targeting precision of digital with the high impact of TV viewership, advertisers can engage the right audience at the right time.

With OTT advertising, you benefit from the following:

Increased Reach

With more than half the US population subscribing to OTT services, OTT advertising must be a part of an integrated video advertising strategy.

Segmentation

OTT advertisers can segment audiences by almost any data point users generate. Advertisers can show ads based on user demographics, device usage, past purchases, and more.

Cross-Channel Targeting

Brands can target and retarget the same audience on multiple channels. Advertisers can use a combination of OTT advertisements, social media, programmatic audio, display, their website, and more.

Advanced Targeting

OTT advertising providers can combine viewer household data with 3rd party data to create enhanced targeting opportunities for advertisers. Here are a few examples:

- Life event indicators (ex. recently moved or graduated)
- In-market signals (ex. remodeling or auto shopping)
- Affinity signals (ex. luxury shoppers or travel enthusiasts)

Engaged Audience

One of the best advantages of OTT advertising is that it only runs if someone actively requests video content, so it's more likely an ad will have a higher percentage of impressions viewed.

Tracking Capabilities

OTT platforms give advertisers information about user engagement. Engagement metrics include the number of viewers who skipped an ad, click rate, and more.

Popular OTT Advertising Platforms

Roku Roku Advertising

With an estimated 155 million subscribers, Roku's native ad platform allows you to leverage proprietary segments and third-party validation. Ads are available in 15 and 30-second spots, interactive videos, overlays, and sponsorships.

hulu Hulu Advertising

With more than 92 million ad-supported viewers, Hulu ads operate on a native ad platform with robust bidding, targeting, and measurement options. The self-service advertising option caters to small businesses with lower minimum campaign bids, start/ stop whenever you want, and ongoing support and resources.

tubi Tubi TV Advertising

A free internet TV network similar to Hulu. With more than 33 million monthly active viewers, Tubi's CrossReach ad platform offers targeting, data insights, multiscreen delivery, and reporting for 15 and 30-second ad spots that are non-skippable.

Other OTT Television Services

OTT television is the most popular type of OTT advertising. The OTT advertisements that appear on television are incorporated into streaming services, and video distributors control access through applications found in the streaming services headquarters. The number of streaming services available continues to grow; you'll want to research to find out which service is best suited to reach your target audience.

Examples of popular streaming services:

NETFLIX   hulu   BBC   ᐧtv   HBO
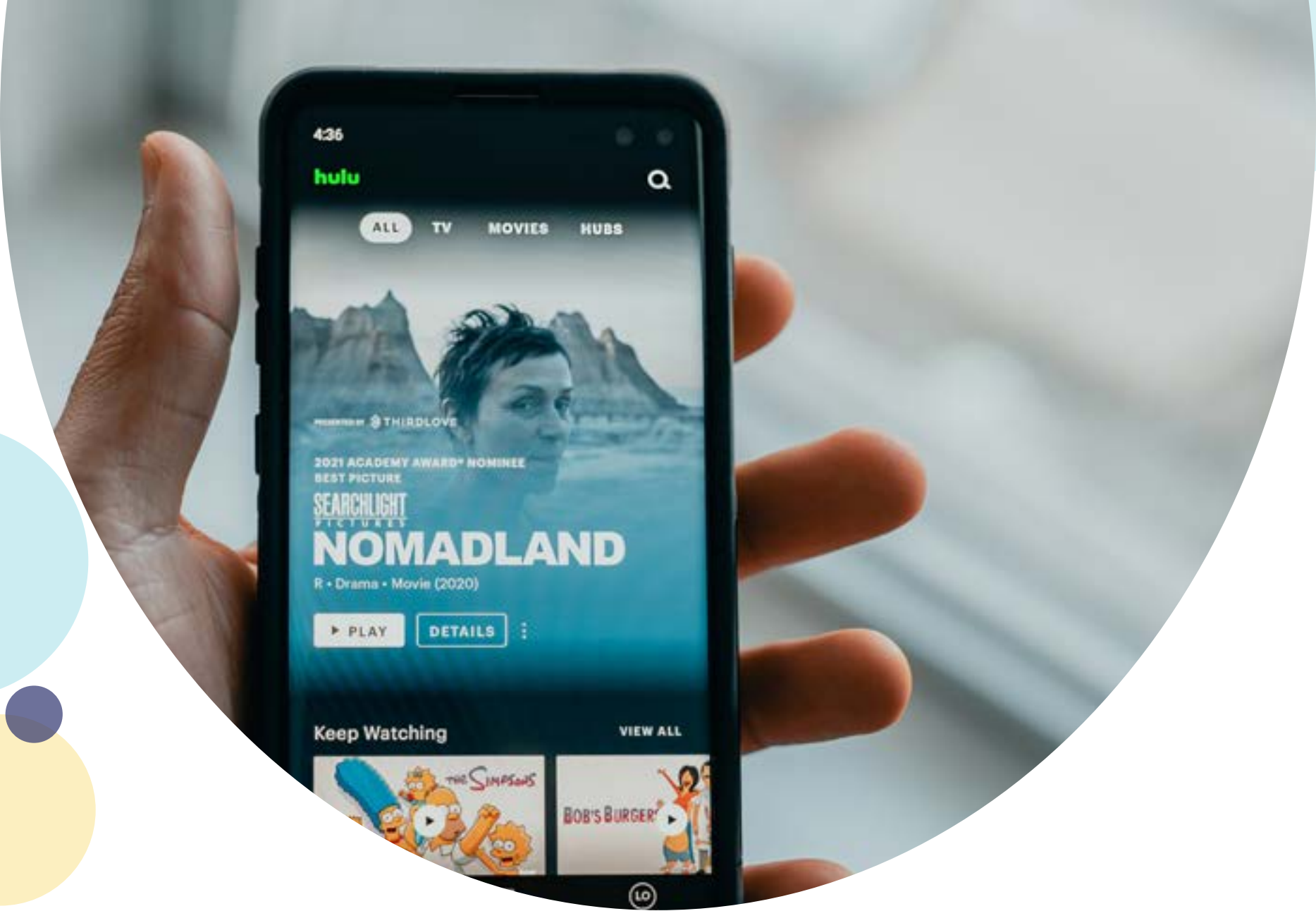
How OTT Advertising Is Bought, Served, and Priced

Purchasing OTT Advertising

OTT advertising can be bought directly from streaming providers and resellers or programmatically.

Streaming publishers and service providers offer contracts for ad space directly to advertisers and advertising agencies who can choose when, where and to whom their ads are placed.

OTT advertising resellers act as intermediaries. They sell streaming ad space that they have pre-purchased from streaming publishers or access through auction-based ad exchanges.

Programmatically buying OTT advertising allows advertisers and agencies to buy ad space without making significant commitments to streaming publishers and bypasses many of the markups tacked on by OTT advertising resellers.

Two main currencies are used to purchase space, whether you are negotiating with a salesperson or buying OTT ad space programmatically.

- **CPM =** Cost-per-Mille, more commonly referred to as cost-per-thousand. CPM is a measure of impressions served.

- **CPCV =** Cost-per-Completed-View. Advertisers are only charged when a user watches the video.

How OTT Ads are Served

OTT content is delivered through many distribution channels. Each streaming platform communicates differently with OTT devices via Video Ad Serving Template (VAST) or Video Player-Ad Interface Definition (VPAID) tags.

The typical delivery method of OTT advertisements:

- **Audience creation:** An OTT audience is created based on subscription data and first

and third-party data, such as preferred show categories and shows watched.

- **Audience matching:** The platform matches an audience to the specific TV's subscribers list on various OTT platforms. Ads are pushed, downloaded, and buffered by OTT devices.

- **Ads display on OTT devices:** This is where VAST and VPAID tags communicate with OTT devices.

- **Reporting:** Ad-exposure results are sent back, and the platform generates a campaign report. First- and third-party data is typically included in the advertiser reports.

Two ad-insertion methods are used for delivery: client-side (CSAI) and server-side (SSAI).

- **CSAI**
  Client-side ad insertion is where an ad is loaded within the OTT box before it is displayed to the viewer. The original ad-insertion method CSAI is susceptible to ad blockers. While not ideal, it continues to be the most widely used method in OTT devices in the advertising industry.

- **SSAI**
  With server-side ad insertion, ads are delivered as a seamless stream with video content. A mix of ads and content is provided in real-time without interrupting the viewer.

Ad blockers cannot differentiate between which frames are ads and which are core content. While SSAI is effective against ad-blocker software, the "stitching" process poses some limitations to advertisers. Therefore, CSAI continues to be the most used ad-insertion method for advertisers.

Costs of OTT Advertising

Increased popularity in streaming content and OTT advertising has leveled the playing field for small businesses to compete with large companies in the television advertising space. You can start with a moderate monthly budget of around $2,000, then adjust ad spending depending on brand needs and performance.

Some platforms may require higher monthly spending, but overall, you will find more flexibility in pricing with OTT advertising. OTT ads typically cost between $25–$40 CPMs (cost per 1,000 impressions/tv spots). This means you only pay if someone views your ad.

For comparison, traditional TV advertising can range from $40–$200 CPM Rate or more depending on demand. Unlike OTT ads, there is no way to track who or how someone views your ad. The inefficiency in TV ad spending, reaching people you don't intend to target, and limited tracking capabilities mean the cost of OTT advertising provides more efficient ad spending.

To see how much you should budget for OTT advertising, check out our online OTT Budget Calculator.

Shifting Beyond CPM Pricing

The industry has begun introducing payment rates beyond CPM to account for metrics beyond impressions and ensure advertisers are getting the most out of ad spending.

Accountability, transparency, and performance are critical pillars of the new buying system. Companies like Moat and Integral Ad Science are gaining popularity, tracking metrics like viewability, audibility, and completion rates.

New OTT Advertising Ad Spend Pricing systems

- **Cost Per View (CPV):** CPV guarantees advertisers are only paying for impressions that meet the current viewability standard: at least 50% of an ad's pixels on screen for at least two seconds.

- **Audibility and Viewability:** One step beyond CPV, considering an ad must be viewable and heard.

- **Cost Per Completed View (CPCV):** Measures how many people watch an ad. This is more challenging for publishers but does give advertisers a high level of accountability, transparency, and performance.

- **Percent Complete:** Charges based on how much of an ad was watched. You will pay a higher rate if a viewer watches the whole ad, whereas you would pay a lower rate for a smaller portion.

Currently, CPCV is the front-runner for replacing the industry-standard CPM pricing system. Knowing a viewer has viewed your whole video is a better metric for measuring genuine engagement and understanding an audience's preferences and interests.

Best Practices for OTT Advertising

Define Your Goal

Before you create a video ad or any marketing content, you need to clearly define what you hope to accomplish. While having multiple goals for an ad is tempting, it's best to keep it to one clear goal. Implementing too many objectives into an ad can confuse your audience and reduce action.

Adopt an Audience-First Strategy

To fully benefit from OTT advertising, you must understand your target audience and what matters to them. There is no one-size-fits-all solution in marketing; each piece of content must be planned around a [specific buyer persona](#). Take the time to research your target audience and what resonates with them, and adjust your messaging accordingly.

Tell a Story

Most people skip ads when the option is available, so you need to pull viewers in with an engaging story. Ensure your audience understands your message with a cohesive narrative and a clear call-to-action (CTA). Don't be afraid to get creative and lean into current trends in entertainment. Audiences have different expectations for streaming content, so keep your OTT advertisements to 15-30 seconds for non-skippable ads.

Keep It Consistent

Audiences are more likely to trust and engage with a company that has a consistently presented brand. In most households, multiple target audiences are watching the same program. This is a prime opportunity to showcase your brand and products to new audiences. Ensure you always include your core values and offerings to potential new customers. Always have your logo and URL prominently within the ad to help brand recall.

Include a CTA

Unlike social media ads or search advertisements, viewers can't click to visit your website when watching an OTT ad. Therefore, one of the essential best practices for OTT advertising is incorporating a clear and compelling CTA. Take advantage of OTT ads having sound and include a voiceover to grab your viewers' attention. The same principles you would use in display advertising and other digital marketing channels should be followed:

- Use strong action verbs
- Create a sense of urgency
- Make sure your CTA focuses on the ad's primary goal

Make Sure Your Video Can Be Formatted for Multiple Devices

OTT devices include laptops, tablets, smartphones, and connected TVs. Identify sizing best practices for multiple devices so the value prop and CTA are immediately visible on all screen types. Including more close-up shots and larger text is an easy solution for meeting sizing requirements for multiple OTT devices.

Integrate Marketing Strategies

Look at how your marketing and advertising tactics align with your overall marketing strategy. Identify any inconsistencies with brand voice, your direction, and missed

opportunities for cross-promotion. While ads will differ on individual platforms, the overarching messaging should be aligned as closely as possible.

Avoid Overexposure

You want to think about ad frequency and avoid over-exposure and user fatigue. On average, it takes 5-7 impressions for a person to recognize your brand. Plan multiple versions of your ad ahead of time, and if possible, film all versions in one shoot. This will save time and money while providing an opportunity to play with creative variables, such as music, voiceovers, messaging, and CTAs. If you cannot film a few versions, you can break up a longer piece into shorter snippets and add text overlays or end cards for a fresh look.

Implement A/B Testing

Running A/B tests helps you discover what resonates with your audience. Remember, brand-building campaigns generally take 3-6 months. Using OTT ads as the centerpiece of a campaign allows you to create cross-platform content for digital, experiential, search, and retail.

Know the OTT Video Basics

You need to know the essential requirements for creating OTT video ads to be successful with this advertising channel. Format and length are the key components.

- **Format**

  Your video ad needs to look and sound good on all streaming

devices. OTT platforms can and will place OTT video ads on multiple types of devices. Whether that's a small smartphone screen, medium-size screens such as tablets and laptops, or large television screens, you want to ensure that OTT content scales appropriately for the device viewers watch your ad.

- **Length**
Shorter is always better. Depending on the OTT platform, viewers may see skippable or non-skippable ads. Regardless of which type of ad experience viewers encounter, you want to create video content that is engaging and concise, with key messages early in the ad. Viewers who skip your OTT ad still see what's most important.

While non-skippable ads can be 15 to 30 seconds long, you still want to keep the video ad short. Even if consumers cannot skip an OTT ad, they can lose interest quickly and walk away from the device for a quick snack break.

Measuring OTT Advertising Success

With OTT advertising, brands have access to attribution tracking — which allows advertisers to connect an ad with the completion of an action (visiting a website). This enables advertisers to track online and offline behavior to better understand demographics and advertising efficiency.

A few data variables OTT platforms allow you to analyze and measure are:

- Budget/Spend
- Impressions
- Percent of Video Watched
- Cost-per-Click (CPC)
- Cost per Action (CPA)
- View Through Conversions
- Walk-In Conversion

Essential OTT Advertising Metrics

Click-Through Rate

A go-to advertising metric to measure OTT ad success is your click-through rate (CTR). Click-through rate measures the average number of clicks your ad receives compared to the number of times your ad is shown. Your CTR helps you gauge how well your keywords and ads are performing.

You can measure an ad's CTR by dividing the number of clicks by the number of impressions: clicks ÷ impressions x 100 = CTR.

A higher CTA means your ad gets more clicks, indicating that viewers find your video content valuable and engaging. In a 2021 study, LocalIQ data showed the average click-through rate for Google Ads as

3.17%, which will vary depending on the industry.

While a lower CTR indicates your content and messaging are not resonating with audiences. You may also be targeting the wrong audience or focusing on the wrong keywords.

Improve Click-Through Rate

- Creating engaging content
- Trying different CTAs
- Modifying your targeted audience
- Re-evaluating keywords you're bidding on for PPC ads

Remember that a high CTR doesn't necessarily mean a viewer watched the OTT ad through to completion or followed through to your intended action.

Video Completion Rate (VCR)

Another way to measure OTT ad success is to monitor your video completion rate (VCR). An important OTT advertising metric, VCR, is the average amount of time people are viewing your OTT ad to completion.

Similar to CTR, the higher the VCR, the better. VCR metrics have continually grown as more people watch long-form content on connected TV devices. It's not uncommon to see video completion rates between 90–100%. These high rates are likely due to OTT ads being non-skippable and airing

less often. So, people watch the video ad to completion instead of getting up for a snack break.

A high rate doesn't always mean watching the entire video ad. As one of the key OTT advertising metrics, you want to track VCR and closely look at any data gaps. This data will help you understand when viewers' attention is waning, and which demographic is turning away mid-ad.

How to Improve Video Completion Rate

- [Keep video ads short](#)— a 30-second ad is your sweet spot
- Put critical information early in the video ad
- Adjust audience targeting

Watching ads in full helps people recognize, remember, and trust a brand and increases the chance they'll see your CTA and increase your click-through rate.

Attribution

While a high video completion rate is great, you ultimately want to show that your OTT ads drive conversion. And that's where OTT attribution comes in.

Attribution tracking links the viewing of an ad with an intended action, such as visiting a website or going to a physical store. OTT attribution is a vital advertising metric because it tracks which OTT ads generated a lead or sale, proving an ad's ROI.

There are some obstacles to attribution tracking. Most OTT ads are non-clickable, which means you can't use cookie data with many ad formats like you can with digital and mobile advertising. This lack of access makes measuring the data flow between touchpoints and actions difficult.

One solution is to work with an OTT advertising agency with access to a library of digital data segments. Access to a large data pool of user and device IDs allows you to track user behaviors across multiple devices, and advertisers can see online and offline responses.

Programmatic advertising agencies specializing in location intelligence can further attribute identified viewers of an ad to GPS tracking data from their wireless device. Ultimately leading to direct attribution of the viewer clicking on an OTT advertisement and walking into the promoted store, restaurant, or other business.

Tangible attribution tracking requires technology that can be a little more expensive. But, worth it when you can target ad dollars more effectively.

Additional Cross-Platform OTT Advertising Metrics

In addition to click-through rate, video completion rate, and OTT attribution, advertising specialists and marketers will want to track the following OTT ad analytics for optimal performance:

- Website Traffic
- Session Frequency
- Conversion Rate
- Customer Acquisition Rate
- Average Revenue Per User
- Engagement

The Future of OTT Advertising

Streaming content platforms and services have been around for over a decade, but with the COVID-19 pandemic, subscriptions to streaming services steadily increased and will only continue to do so. Digital marketers have taken notice of these consumer streaming trends, with 57% of digital advertisers planning to increase OTT advertising spending.

To compete in this evolving digital landscape, advertisers need to carve out space in their digital marketing budget for OTT digital advertising and familiarize themselves with the current OTT trends.

Continued Expansion

With the increase in streaming channels and online viewing, OTT video ads are taking over traditional television advertising. To compete in the current landscape, brands must invest in OTT advertising to reach consumers.

In the first quarter of 2022, Hulu reported 45.3 million paid subscribers, a 39.4% increase from the first quarter of 2021. In addition, a recent Hootsuite study found that 92% of internet users watch video content online weekly.

Hyperlocalization of Ads

A newly rising OTT advertising trend, geo-location is a powerful customer segmentation for relevance. Also known as "OTT local advertising," local ads are experiencing incredible growth in the digital marketing landscape.

Let's say you provide gutter cleaning services in Raleigh; you may choose to hire a local digital advertising agency to run a targeted ad to new homeowners in the area. Shrinking the geographic location of an ad allows you to focus on a smaller segment at a more cost-efficient price.

Focusing on a specific area allows businesses, especially brick-and-mortar stores, to share store locations, special deals, and timely information with local, interested consumers.

OTT Advertising Goes Live

Live broadcasts airing on social media and streaming channels

are becoming more commonplace. This OTT advertising trend provides a significant opportunity to reach large and new audiences. According to Lemonlight, live social streams get two times more engagement than pre-recorded videos.

Benefits of Live Airing OTT Advertising Opportunities:

- *Larger Customer Reach.* Hundreds of thousands watch annual sporting events and award shows, a huge OTT advertising opportunity.
- *Audience Research.* Live streaming sites have a plethora of data regarding who is watching an event and OTT ads.
- *Consistent Ad Exposure.* Many live streaming events happen annually, ensuring reliable OTT video ad opportunities.

More Cost-Effective Than Traditional TV Advertising

Overall, advertising on traditional television is more expensive than OTT advertising. OTT advertising means you're not wasting money on irrelevant audiences with no predefined time slots or geographic locations.

While traditional television is more time-consuming, a programmatic advertising approach allows you to automate the selection of where and when to advertise, eliminating the time-consuming and labor-intensive process of linear television advertising.

OTT advertising benefits smaller brands with OTT platforms allowing you to set impressions with a one-time fee. Sites like Hulu offer this option with their self-serving bidding system. Self-serve platforms make OTT advertising more accessible for smaller companies.

Target Relevant Audiences More Easily

The more time subscribers spend on an OTT platform, the more personal information they provide. Personalization and relevant targeting are crucial OTT advertising trends.

Specific audiences are created using demographics, interests, devices, location, and behaviors. Digital marketers can then target specific audiences with a more

personalized ad experience. Compared to linear advertising, OTT ads that speak to a particular audience's interests increase engagement and brand awareness.

OTT Dynamic Ads Increase Conversions

Throughout this guide, we've mentioned the benefits of targeting the right audience and geo-location. In addition, OTT advertising allows you to reap the benefits of customized ads—boost conversion rates with dynamic ads.

Dynamic advertising is when the content of an ad changes depending on who is watching. This OTT advertising trend is also known as "retargeting advertising."

Once retargeting advertisements are set up, a consumer engages

with an ad and visits a brand's website. They are typically tracked and shown more relevant advertisements, and targeting specific ads numerous times leads to brand awareness and increased conversation rates.

Find Your Best Path Forward with OTT Advertising

OTT advertising allows brands to reach and engage audiences in new ways. An advertising agency can help you get your message in front of the right audience at precisely the right time. We provide insights and actionable advice to optimize your OTT ads and provide you with the best ROI possible.
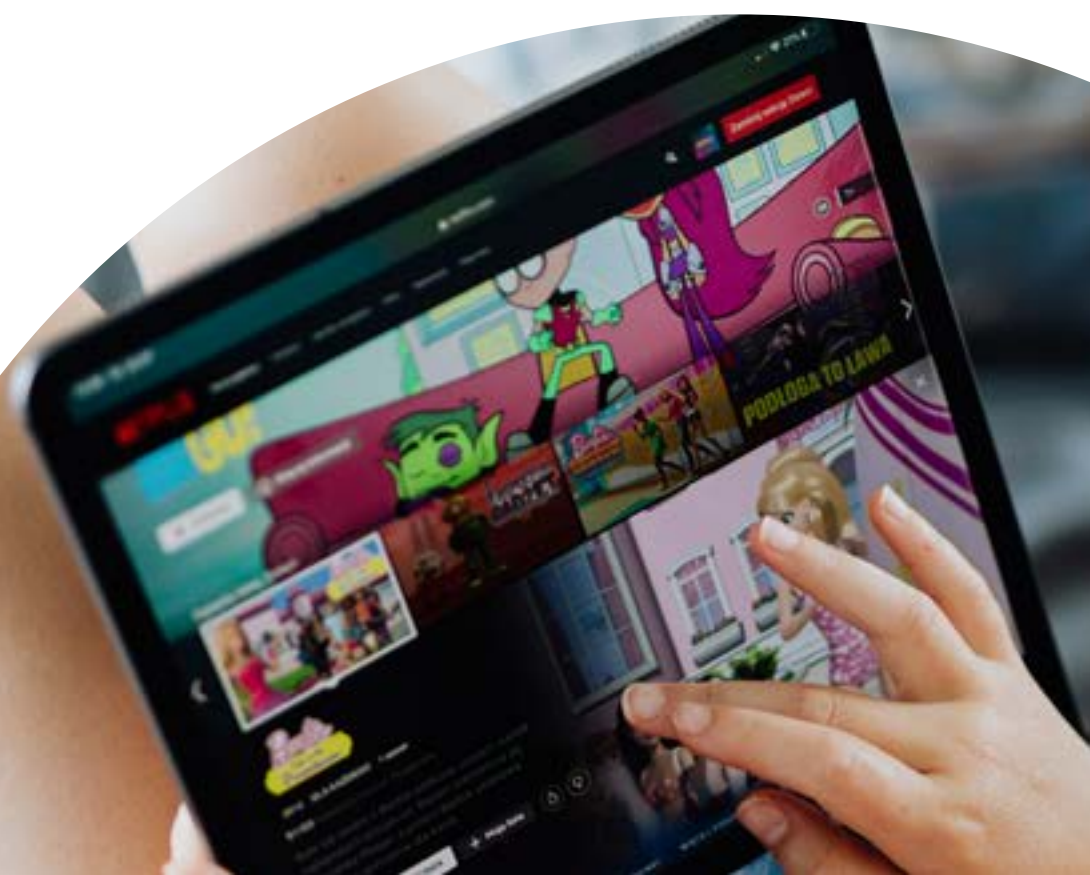
New Path is a pioneer in programmatic advertising. We work with the leading programmatic providers to execute campaigns that influence every step on the path-to-purchase.

Since our founding, we have been committed to maintaining end-to-end control of our digital advertising practice. We plan, build, execute, and optimize our programmatic display and video campaigns in-house.

Our programmatic display and video solutions include:

- Display & Video 360
- OTT (video advertising)
- YouTube Advertising
- Amazon Advertising
- Adelphic DSP
- Campaign Manager

The outcome? Accelerate campaign launch times, optimizations, and increase your overall return on investment. Ready to get started?

Schedule a Free Consultation

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