Define this for me: Addressable TV

Addressable TV is the technology that allows an advertiser to deliver different ads to different audience segments that are watching the same TV program on IPTV and set-top boxes.

What makes addressable TV so powerful is that it helps advertisers avoid the pitfalls of other ad mediums: wasting their budget by delivering ads to less relevant households, overexposing those that are relevant, or alienating everyone by delivering a poor brand experience.

One thing that sets addressable apart is the medium's ability to generate audience insights and ROI data. For marketers, it can open a new door to understanding measurable impact on brand lift and conversion.

Sometimes advanced TV terms are used interchangeably, but addressable TV is distinct from programmatic TV or connected TV. Here's the quick download: programmatic refers to automatically buying inventory using demand-side platforms (DSPs), which in turn provide the data used to identify and target audience segments. Connected TV refers to the use of smart TVs, which are linked to the internet, or products such as Roku or Amazon Fire, which essentially turn ordinary TVS into smart models. More on connected TV in another post. For now, let's take a deeper dive into addressable, a medium that lets marketers show different ads to households watching the same TV programming.

How we got here:

Addressable was made possible by tech advancements in the TV set itself, big data analytics, and the behavior of rapidly shifting audiences — who were watching what they wanted, whenever they wanted, on multiple platforms and devices.

We've come a long way since The New York Times announced in 2006: "TV advertisers are also now able to vary their spots based on audience demographics, changes in weather, sales goals or the campaigns of competitors… And to move away from the one-message-fits-all approach." (The impetus for the coverage was a fast food ad aired during a football game; it featured a pair of talking racoons whose commentary depended on the action taking place on the field right before the commercial break.)

What the future holds:

With almost 120 million viewing households in the U.S., more than half can now receive targeted TV advertising according to the Video Advertising Bureau (VAB), and the group calculates that the addressable audience now numbers 162.2 million individuals.

The VAB notes that nationwide addressable TV spending was $2.54 billion in 2019 and by the end of 2020 expects that figure to rise 33%, to $3.37 billion. By 2022, the steady rise in the number of ad minutes viewed could result in some 30% of all ad viewing being done through addressable.

And the trend shows little sign of slowing down, especially since audiences continue to fragment and more than half of total ad-supported cable television viewing now happens outside of the longtime top-20 networks.

For marketers with doubts about the cost efficiency and scale of addressable, they simply have to do the math to find out if the medium is all it's made up to be. For example, if a national household CPM is $5, and a brand really only wants to reach 10% of households, the brand is actually paying a $50 household eCPM (effective cost per thousand impressions) to reach that specific audience, once you factor out waste. As long as the addressable CPM is below the $50 eCPM, it delivers higher ROI in reaching the specified audience.

Addressable is different from other advertising mediums, in part, because of its ability to reach relevant, high-value audiences at scale, deterministically connect exposure to outcome, and help optimize future campaigns.

Addressable TV, used as part of an orchestrated, cross-channel plan, is one of the most powerful tools in a marketer's toolbox today. No other medium combines the power sight, sound, and motion with the targeting capabilities of digital.

Learn more about Cadent Addressable.