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Crack the Code:

Advertisers' Blueprint for CTV Inventory Triumph

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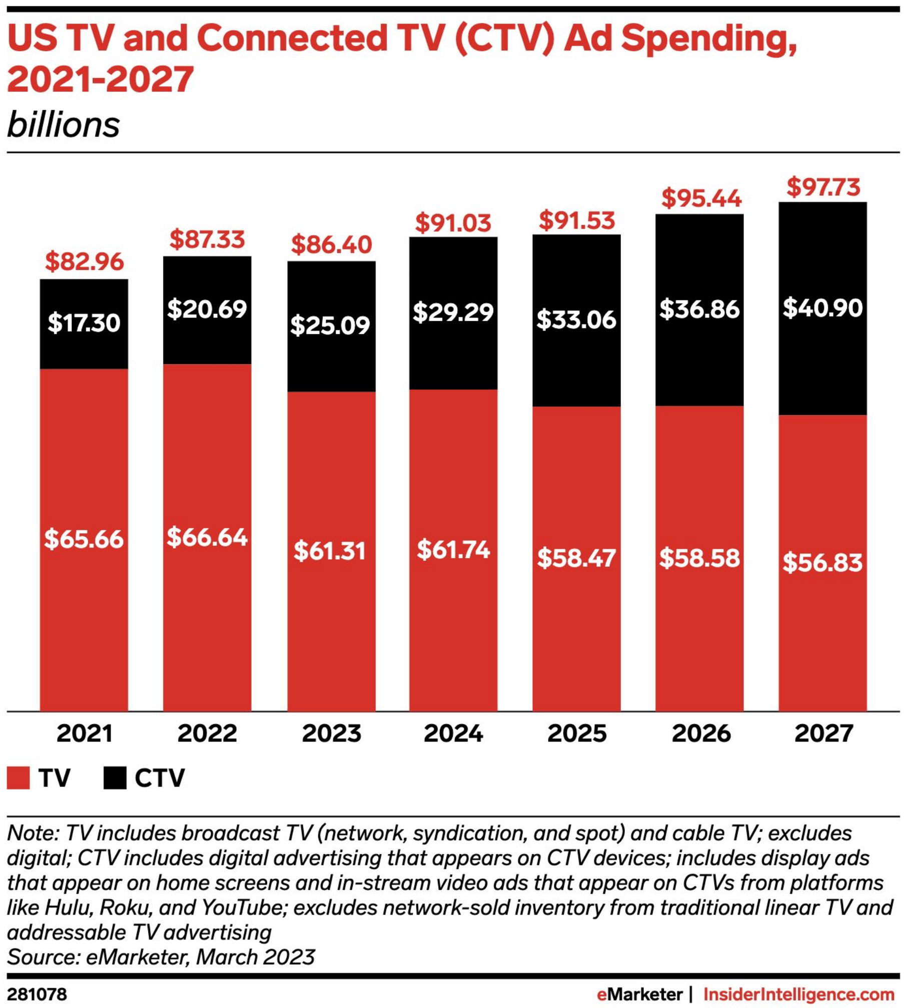
Connected TV advertising shows no signs of slowing down — and modern marketers must understand everything there is to know about buying on CTV if they're to stay ahead of the curve. eMarketer forecasts US connected TV (CTV) will increasingly consume total ad spend in the upcoming years, [reaching $40.90 billion by 2027](#).



Unfortunately, buying CTV inventory is anything but straightforward. Advertisers can buy CTV inventory from multiple sources in a variety of ways.

So what exactly is CTV ad inventory? Where can advertisers find it, and how can they buy it? We'll dive into everything advertisers need to know about CTV inventory below.

What is CTV ad inventory?

Connected TV ad inventory refers to the available advertising space on a connected TV platform, usually in the form of 15 or 30-second ad breaks, but non-standard durations like 60 or 75-second ads are also available. Advertisers buy connected TV ad inventory to engage viewers in a lean-back environment similar to traditional TV advertising but with the advantages of digital targeting and measurement capabilities.

There is no one way to buy or sell CTV ad inventory. To better understand how CTV ad inventory operates within the larger CTV ecosystem, let's first break down where advertisers can find inventory.

Where do I find CTV ad inventory?

Advertisers can buy inventory from a variety of sources. A study by Jounce Media found that 30 app developers represent 75% of CTV inventory. Those who sell CTV inventory include:

- **Content owner:** As the name suggests, content owners have the rights to certain programming. This can include TV networks, production studios, streaming services, or any entity that creates or licenses content available on CTV platforms.
- **App owner:** Viewers can download streaming apps from their connected TV to access popular streaming services or content providers that license ad-supported content from other content providers. Examples include Pluto TV, Hulu, Crackle, and Netflix.
- **App store owner:** App stores control the distribution of publisher apps. Think of the Apple app store on your phone, where you can buy mobile apps like Angry Birds. In the connected TV space, this is where users can download apps on their Smart TV or connected TV. App store owners can also be thought of as device manufacturers. Examples include the Roku Channel Store and Apple TV TVos App Store.

In the linear world, networks like NBC relinquish control of a chunk of their inventory to cable companies or local TV. These carriage deals have been carried over to the connected TV space.

Take AMC's *The Walking Dead* as an example. AMC can sell 60% of its ad inventory for *The Walking Dead*. Why not 100%? This is where things get complicated. *The Walking Dead* is available on apps like PlutoTV. Pluto TV is also allowed to sell 20% of the available ad space on *The Walking Dead*. The PlutoTV app is downloaded from a variety of app stores, like the Roku Store. Roku also has an agreement in place to sell 20% of ad inventory on *The Walking Dead* on Pluto TV.

In other words, there are a lot of entities that get a piece of *The Walking Dead's* ad revenue pie.

vMVPDs: Breaking Down A Piece of the Inventory Pie

An explanation of connected TV inventory is incomplete without delving into vMVPDs.

vMVPDs, short for Virtual Multichannel Video Programming Distributors, offer an enticing alternative for today's audiences, allowing them to enjoy a wide range of content from live news and sports streaming to watching their favorite shows — all without the need for a traditional cable subscription

vMVPDs came about as a solution to the frustration consumers feel towards bloated cable packages. This service combines the convenience of streaming technology with the traditional broadcast television format. More specifically, it delivers live TV channels, and often on-demand video content, in a linear fashion through an internet connection or over-the-top (OTT) device.

Similar to traditional linear MVPDs like Spectrum, Comcast, or Cox, vMVPDs also charge a regular subscription fee on their customers. However, vMVPDs distinguish themselves by offering "skinny bundles," which consist of a diverse range of channels at a cost lower than that of a conventional MVPD, making it an economical choice for viewers looking for a more concise content selection.

FAST Channels: Another Critical Piece of CTV Inventory

FAST channels are another type of CTV inventory advertisers should understand.

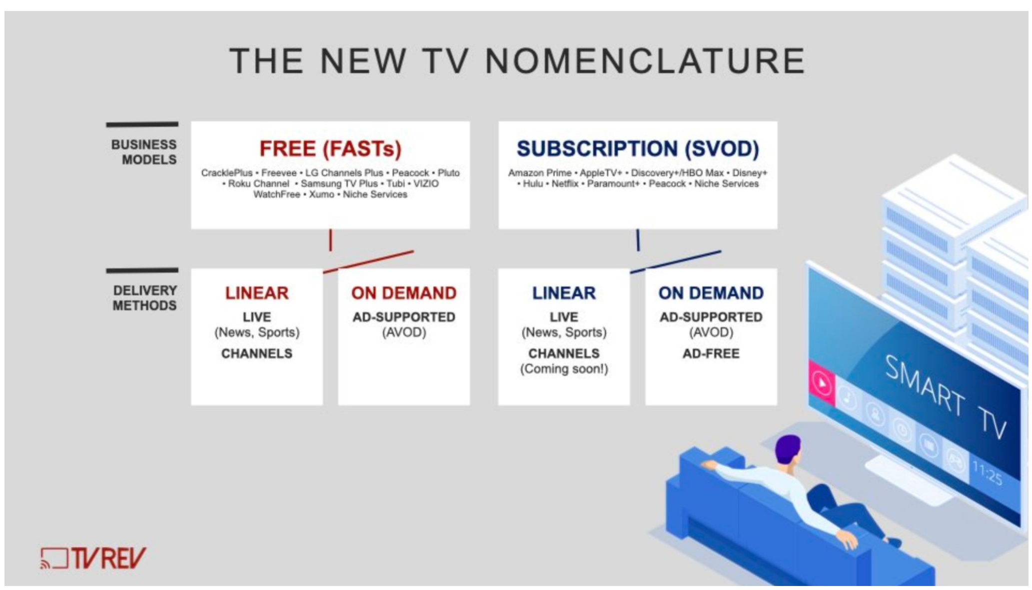
What exactly are FASTs? The definition of the streaming service was once fairly straightforward. FAST channels originally had two main distinguishing characteristics.

- They were the only video-on-demand model to have linear channels.
- They were ad-supported but did not charge a monthly subscription fee.

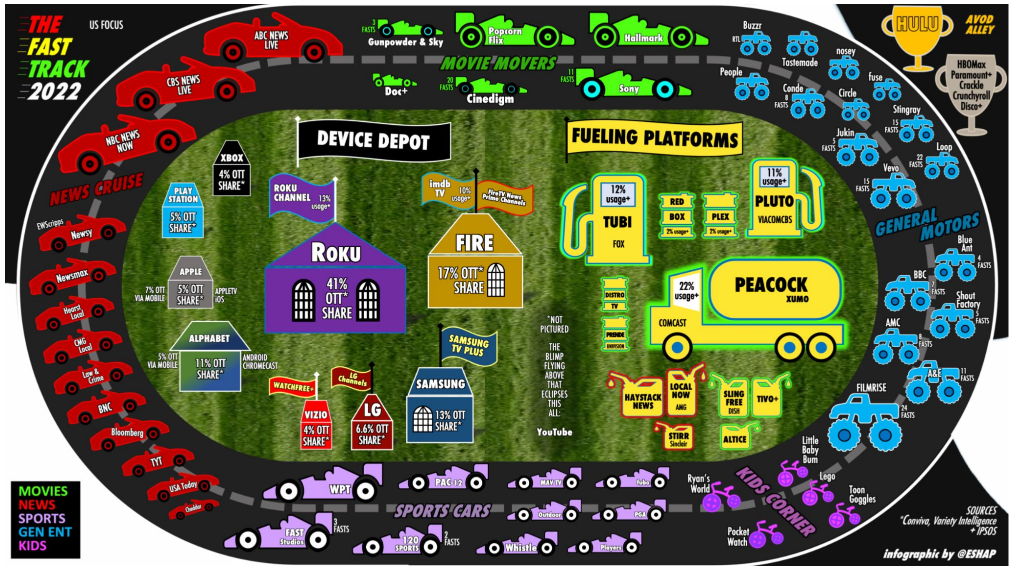
But the definition of FAST channels has changed. Both free and subscription services now incorporate linear channels into their offerings. FASTs provide pre-programmed content typically associated with linear channels, along with on-demand options.

The distinction between these services is less clear-cut. A simple way to distinguish one service from another is to think of FAST and SVOD as two key business models into which services can be categorized.

How can you differentiate between them? If content is free to watch, whether on-demand or linear, it's a FAST service. If it's not free, it's an SVOD model — or a service that charges a recurring fee and includes either ad-free or ad-supported content.



The FAST ecosystem can be confusing. One important point to distinguish are the concepts of a FAST platform from the dozens of FAST channels that these platforms carry. Several players exist — and understanding who fits where can quickly become confusing. To better understand the playing field, [check out the infographic below](#).



Within the FAST ecosystem, movies are the dominant content category, symbolized by the "movie cars," and are prominently featured on the main race track. Dedicated movie channels include Hallmark and Popcorn Flix, which are directly identifiable on the race track

However, the platforms (Pluto, Tubi, Peacock, Xumo) are located in the infield, specifically the Fueling Platform area, rather than on the main race track. Despite this positioning, movie channels on these platforms are identifiable by their distinctive "green glow." This arrangement exists because many major platforms and device manufacturers in the FAST industry offer their own free streaming channels. These channels, backed by vertically integrated media companies, are incredibly popular and attract a substantial audience on their respective platforms.

In terms of viewership categories, "news cruise" follows movies, encompassing networks such as ABC, CBS, and NBC. "Sports cars" represent the prominent players in the sports category. Lastly, the "kid's corner" focuses on children's programming, with fewer participants in the FAST arena.

Streaming and connected TV devices like Roku, Fire TV, and Samsung are grouped together in the Device Depot infield section. Notably, these streaming devices, although situated in the Device Depot, also host their own unique FAST channels or streaming platforms, each distinguished by its respective flag.

How do I buy CTV ad inventory?

Advertisers can buy inventory either non-programmatically or programmatically.

In non-programmatic advertising, negotiations occur directly between the advertiser and the publisher through means such as phone calls, emails, and insertion orders. Non-programmatic deals fall into two buckets:

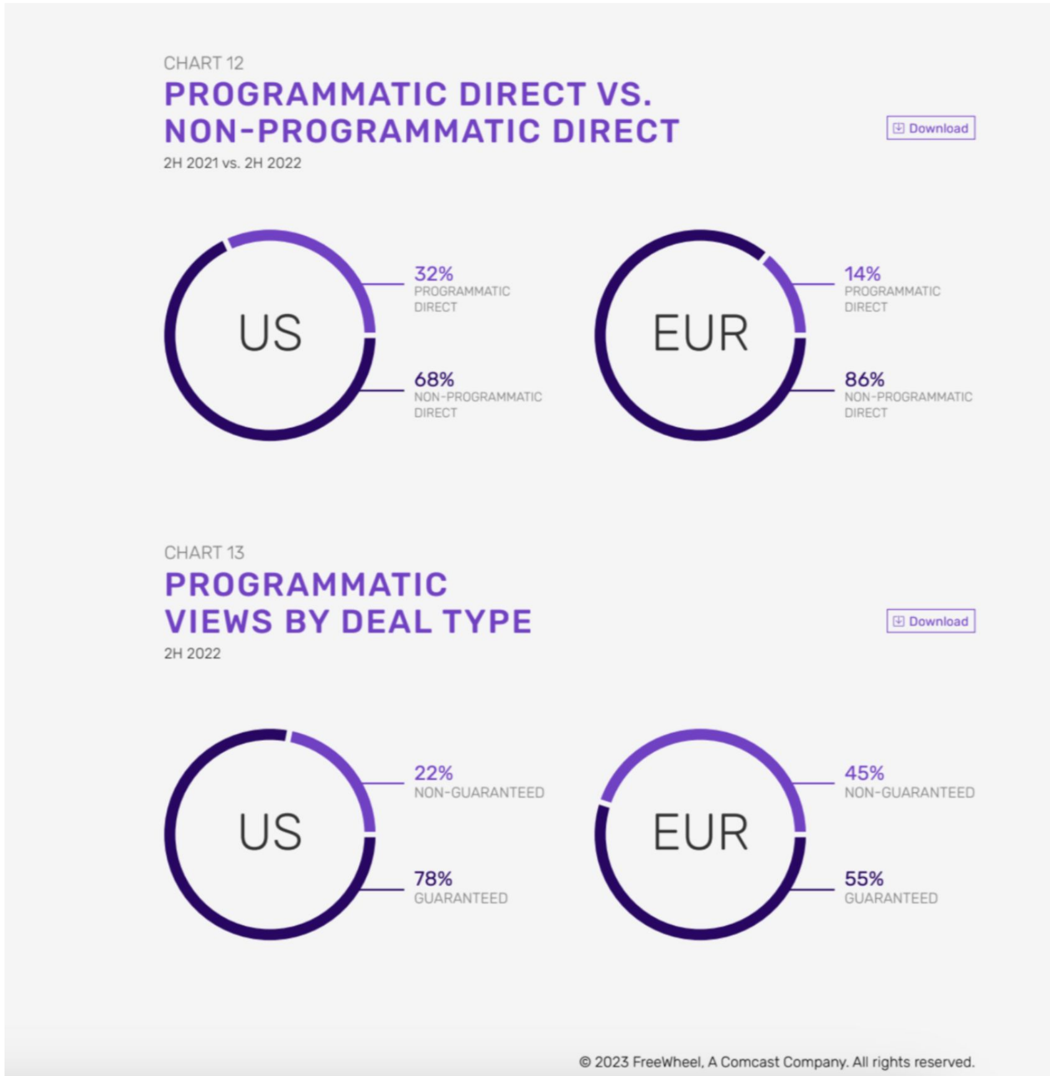
- **Sponsorships**: A direct agreement where publishers guarantee premium inventory, such as first or last break ad slots, to advertisers.
- **Direct insertion orders**: An agreement between the advertiser and publisher to run a specific ad campaign on the publisher's inventory. The buyer commits to spending a predetermined amount over a negotiated period at a fixed rate, while the publisher guarantees a specified number of impressions as part of the agreement. It’s important to note that while the publisher is in full control, the advertiser still has the ability to provide instructions or guidance to the publisher regarding their strategic or target audience.

On the other hand, programmatic advertising involves the automated purchase of ads using advanced buying techniques and software. Programmatic deals include:

- **Programmatic guaranteed:** A negotiation that combines the advantages of programmatic advertising with guaranteed inventory. It involves a one-on-one deal where the publisher commits to delivering a specified number of impressions, and the advertiser agrees to a fixed price. Rather than auctioning the inventory, the publisher reserves it exclusively for the advertiser. In other words, this is an automated version of a Direct Insertion Order. The advertiser pays an extra fee to the demand-side platforms to leverage automated workflows rather than manual insertion orders.
- **Private marketplace (PMP):** An invitation-only marketplace where a select group of advertisers can purchase ad inventory from specific publishers. A PMP usually has a floor price, meaning the publisher receives a minimum price for its inventory. In turn, publishers are more likely to make their premium inventory available to select publishers willing to pay more for quality.
- **Open exchange and real-time bidding (RTB):** An open marketplace allows multiple advertisers to compete for the same inventory, and the highest bidder usually secures the impression. However, it's important for buyers to be cautious as purchases can carry risks. Limited information about publishers in this environment increases the potential of buying fraudulent impressions.

What are the challenges of buying CTV ad inventory?

Contrary to popular belief, the bulk of CTV ad spending is still manual. According to the chart below by FreeWheel, we can determine that 68% of connected TV spending goes to direct insertion orders, 25% goes to programmatic guaranteed, and only 7% goes towards auction-based, non-guaranteed deals like PMPs and the open exchange.



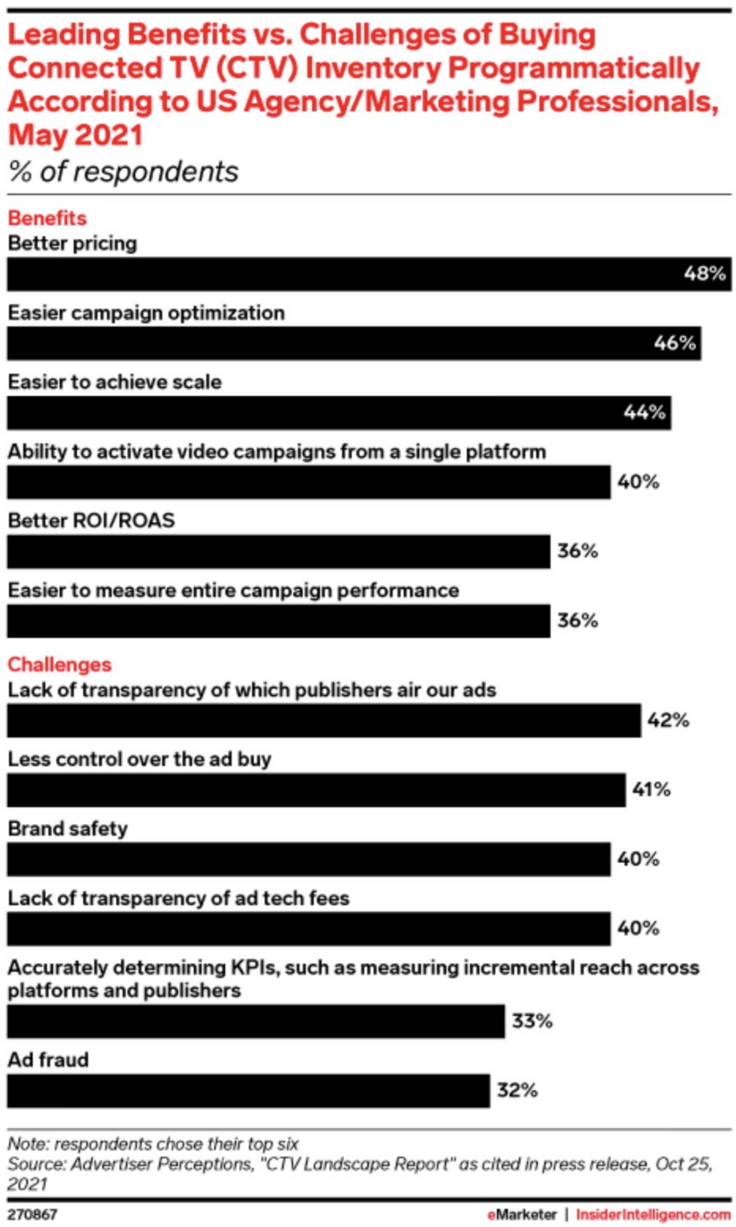
Digiday estimates as much as 70% of inventory is traded manually, often during upfront deals.

Pricing is often an issue when it comes to buying inventory during the upfronts, especially when advertisers seek to apply their preferential inventory rates from linear TV to the CTV space.

Why? From the network's standpoint, CTV represents a distinct ecosystem with its own audience, delivery mechanisms, and measurement capabilities. They argue that CTV advertising should not be tied to legacy linear TV rates and should be evaluated separately. Because of this, advertisers seeking to migrate their preferred linear TV rates to CTV may face resistance from networks looking to establish new pricing structures.

To avoid pricing issues, media buyers sometimes seek out alternatives — namely, programmatic buying. In fact, research shows that connected TV counted for [more than one-fifth] of total programmatic video ad spending for the first time in 2022, as well as one-tenth of total programmatic digital display. In other words, CTV ad inventory is increasingly flowing through programmatic pipes.

Programmatic buying is not without its flaws, though.



What makes each challenge such a pressing issue? Let's break down each one.

- **Lack of transparency into publishers:** According to eMarketer, the biggest challenge advertisers face when buying CTV inventory is a lack of transparency. Remember our explanation of *The Walking Dead*? This is a great example of how multiple vendors can sell the same inventory. These vendors typically do not talk to each other. Rather, they hide their inventory behind closed walls, leaving advertisers blind as to where their ads are exactly running.
- **Less control over the ad buy:** Programmatic CTV buying often involves relying on algorithms and automated systems to make ad placements. This can result in less control over the specific placements and timing of ads. Advertisers may have less influence in determining where their ads appear, which can affect ad performance and brand alignment.
- **Brand safety:** Advertisers need to ensure that their ads are shown in appropriate and brand-safe environments. However, due to a lack of transparency in programmatic buying, there is a risk of ads being displayed alongside inappropriate or objectionable content.
- **Ad tech fees:** In the programmatic advertising ecosystem, multiple vendors and intermediaries add fees and markups to transactions. Advertisers and publishers end up paying multiple markups for the same campaign, driving up costs and potentially exceeding the actual value of the media being purchased.
- **Accurately determining KPIs:** CTV advertising spans multiple platforms and publishers, making it difficult to measure campaign performance consistently and accurately. To solve this, ad tech vendors are building robust attribution, and incremental lift measurement solutions to better track and analyze the effectiveness of CTV campaigns.
- **Ad fraud:** The lack of transparency in the CTV advertising ecosystem makes it challenging to identify and prevent ad fraud effectively. Advertisers often have limited visibility into specific placements and inventory sources, making it easier for fraudsters to exploit loopholes.

Premium versus non-premium CTV inventory: What's the difference?

Premium is a bit of a buzzword in the connected TV space. Marketers seek out premium inventory to reach premium audiences. Publishers advertise themselves as a premium supplier. But what exactly is premium connected TV inventory? The criteria for labeling inventory as premium varies from publisher to publisher, but there are some common themes.

Non-premium CTV inventory refers to ad placements in less popular or niche content, often from smaller or independent publishers. Non-premium inventory may include long-tail or user-generated content that may not have the same level of viewership or established brand recognition. Examples include FAST channels like Pluto TV (owned by Paramount) and Tubi (owned by Fox). FAST channel apps mostly carry professionally produced content, but often contain reruns pulled from the network's vast content library, and don't carry the same brand recognition as the other more popular SVOD and AVOD streaming apps.

It's important to note that FAST channels are different from AVOD. FAST channels are always free, while AVOD models can charge a fee. Plus, FAST channels include linear programming experiences, similar to the audience's experience with traditional TV, unlike AVOD, which, as the acronym states, is advertising-supported video on-demand.

Premium CTV inventory generally refers to ad placements within high-quality, sought-after content, typically from reputable publishers or premium streaming platforms. This inventory is typically hidden behind a paywall, signaling that audiences are willing to pay for said content. Examples include streaming services like Hulu and Peacock.

Performance is another indicator of whether or not inventory is premium. In an interview with *AdExchange*, Chris Kane, president of Jounce Media, noted, "Premium is the same thing as performance. Premium inventory has a demonstrated ability to convince consumers to buy a product."

Advertisers not only seek out premium inventory to reach premium audiences, but also to mitigate brand safety concerns. According to a study by Yahoo, 88% of brands agree that advertising along premium content is safer than user-generated content — which typically falls under non-premium inventory.

Tip: A common misconception is that premium connected TV inventory is the only way to effectively reach your target audience. While hit shows and primetime spots are attractive, there are more efficient ways to reach your target than exclusively focusing on expensive premium shows. Break out of the old-fashioned dichotomy by expanding your buys to wherever your audience is watching — premium or not. FAST channels, for instance, are a great place to reach your target audience, despite being thought of as non-premium.

Buying the Best CTV Ad Inventory For Your Brand

With this information in your wheelhouse, you now know the role CTV ad inventory plays in the larger connected TV ecosystem.

Buying the best CTV inventory is possible when you have the knowledge to strategize — and the technology to power your goals. That's where Simulmedia's TV+ platform comes in. Powered by predictive technology, integrations with over 250 networks and publishers, and over a decade of experience, TV+ empowers advertisers to reach their audiences wherever they're watching.

About Simulmedia

No one knows how to drive growth and business performance through TV advertising better than Simulmedia, a marketer's most trusted tech-powered partner. In today's complex, fast-moving TV industry, Simulmedia is the turnkey, one-stop shop to help you make the best decisions and solve your biggest and toughest challenges on TV. Simulmedia makes TV advertising as predictable, performant, and integrated with agencies and enterprises as paid search and social.

Powered by data science, automation software, and comprehensive integrations, our TV+ full-funnel TV advertising platform lets advertisers and agencies intelligently plan and buy linear, streaming, and gaming. With TV+, you'll have more certainty in achieving business goals by knowing how to best find and engage strategic audiences on linear and CTV as efficiently as possible. In addition, we allow advertisers to extend their reach and connect with elusive younger audiences via PlayerWON™, the first engagement and monetization platform for free-to-play PC and console video games.

With over 15 years of experience bringing data science into advanced TV media buying, Simulmedia is the first and only provider to create a patented predictive lookalike model based on years of viewership data to bring smarter media buying to clients like Experian, Choice Hotels, ABC, TNT, Monster.

Got questions?

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