

THE FUTURE IS AVOD AND FAST

How TV viewing habits are changing and why marketers should include ad-supported platforms in their TV strategy.



CONTENTS

- pg 2 Introduction
- pg 3 The CTV ecosystem is changing
- pg 4 AVOD and FAST are gaining momentum
- pg 6 The cost of living crisis and its impact on CTV viewing habits
- pg 7 The AVOD and FAST opportunity for marketers
- pg 9 Conclusion
- pg 10 About MiQ and Contact us

INTRODUCTION

The TV landscape is changing and it's no secret that Connected TV (CTV) is at the forefront of these changes. With over 67% of the UK households already owning a CTV and the average time spent consuming digital content on the rise, marketers need to find better ways to reach their linear TV audiences as they migrate to new platforms.

If we look at the CTV landscape - BVOD, SVOD, AVOD, FAST - the latter two are seeing dramatic growth and adoption, especially AVOD which

includes YouTube. But why is that happening? Several reasons.

We've looked into how and why media consumption in the UK is changing to help brands and advertisers make better informed decisions surrounding their campaigns in 2023 and beyond. This ebook is the result of that research.

Let's take a closer look at how the UK CTV ecosystem is changing, why AVOD and FAST are gaining popularity, and how the cost of living is impacting both viewers and advertisers.



PIERRE DE LANNOY,
Strategy Director, EMEA

01



THE CTV ECOSYSTEM IS CHANGING

To better understand the CTV ecosystem, let's take a look at the UK market's current situation. The most popular channels in each category include:

Broadcaster Video on Demand (BVOD):



Subscription Video on Demand:



Ad-supported Video on Demand (AVOD):



Free Ad-supported Streaming TV (FAST):

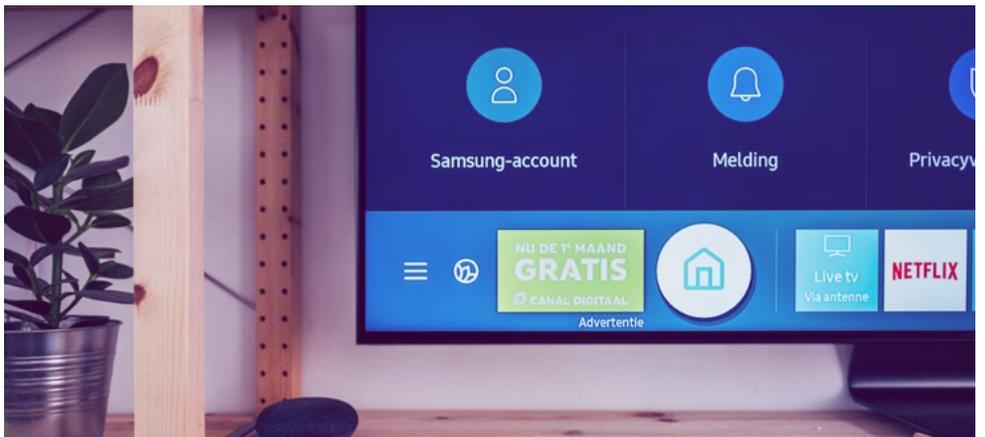


Here's the important thing: only BVOD, AVOD and FAST are available to marketers.

Linear TV has long been a fantastic distribution channel - it enables advertisers to reach millions of viewers quickly and easily. However, the CTV revolution saw linear TV audience slowly migrate away from traditional TV viewing experiences,

making it costlier and more difficult to reach them. In 2022, over 67% of UK households owned at least one CTV - and that number is growing.

So what makes AVOD and FAST so popular? A few things.



FAST TO MAKE UP 20% OF UK AVOD MARKET BY 2027

Source: VideoWeek

AVOD AND FAST ARE GAINING MOMENTUM

We're currently seeing the biggest shift in TV audiences since the launch of Netflix, with AVOD and FAST standing to benefit massively from this. This growing trend is interesting, though, because it doesn't have a single source - in fact, it's the result of several other trends colliding.

As the cost and number of channels available increased, viewers found it more difficult to justify their regular viewing habits, opting to look for cheaper or even free alternatives. Even Netflix, the world's largest SVOD platform, added an ad-supported tier, mentioning recently that over 25% of their new signups chose ad-based plans

An increasing number of UK viewers are watching more YouTube and AVOD/FAST than BVOD - this trend is likely to continue. Let's look at some interesting stats to paint this picture better.

According to FreeWheel, 40% of people in the UK watch AVOD (including YouTube) on a daily basis. That's not all: FAST is also growing in popularity, with channel revenue projected to triple to over £10 billion by 2027.

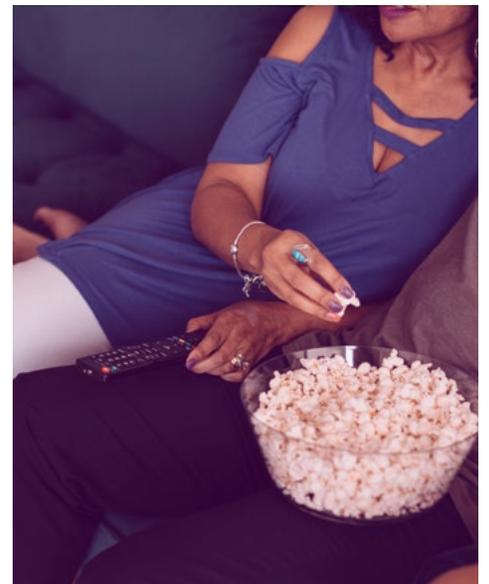
So why else are AVOD and FAST so popular with UK viewers in 2023?

1. Rapid growth and market penetration:

According to a report by eMarketer, AVOD is projected to reach 60.5% of UK digital video viewers in 2023, accounting for a staggering 35.1 million users. This indicates a sharp rise from 2019 when AVOD had a reach of only 41.5%. The rapid growth and market penetration of AVOD channels can be attributed to their accessibility and cost-

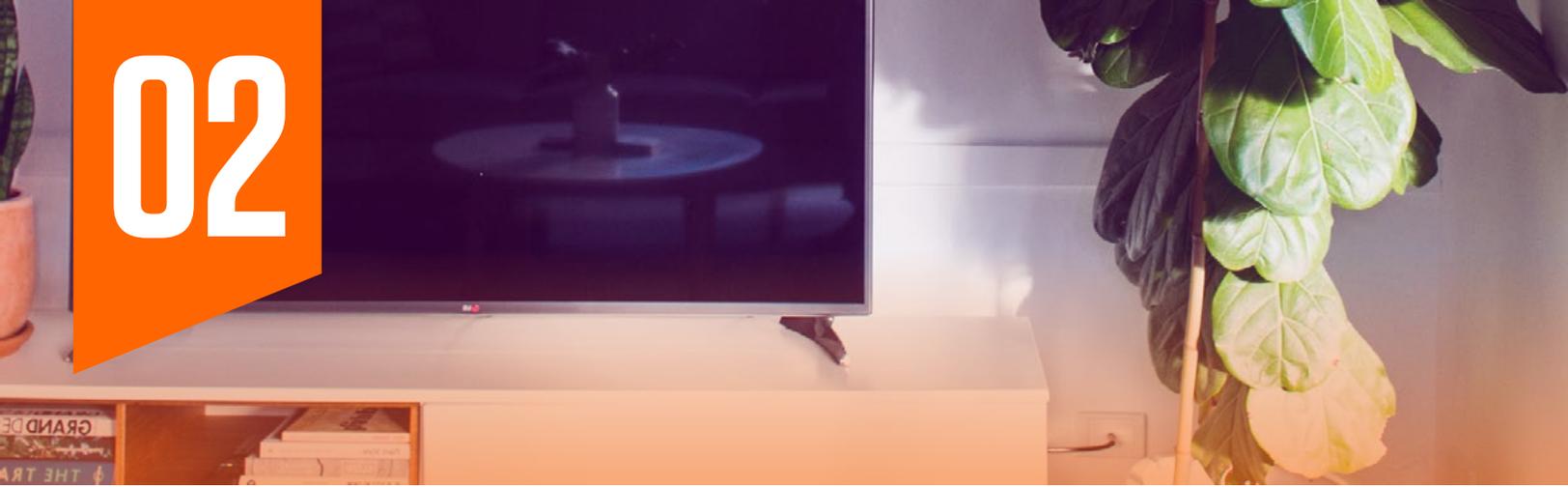
effective nature, attracting a wide range of viewers who seek free or low-cost streaming options.

2. Expanding library of premium content: AVOD platforms like Pluto TV, Tubi, and Rakuten TV have been successful in securing partnerships with major content providers. This has resulted in an expanding library of premium content, including movies, TV shows, and live sports, offering a compelling alternative to traditional broadcast television. In fact, a study by Ampere Analysis found that AVOD services had an average of 20,000 hours of content available, compared to 10,000 hours for SVOD services.



FAST CHANNEL REVENUE TO TRIPLE TO OVER £10 BILLION BY 2027

Source: VideoWeek



3. Advertiser appeal and monetization potential:

AVOD and FAST channels provide advertisers with a highly engaged audience and diverse targeting options. According to WARC, ad spend on AVOD platforms in the UK is predicted to reach £756 million in 2023, representing a significant increase from £491 million in 2019. Advertisers are drawn to AVOD's ability to reach a broad demographic and target specific segments, ensuring their messages are delivered to a receptive audience.

4. Favourable viewing experience: FAST channels, which are integrated with the original equipment manufacturers (OEMs), offer viewers a seamless

experience by providing a mix of scheduled programming and on-demand content. This hybrid model allows viewers to easily transition from traditional broadcast channels to on-demand content, reducing the need for additional subscriptions or devices. This convenience has contributed to the popularity of FAST channels, attracting a broader audience and enticing viewers to spend more time engaging with content.

5. Complementary relationship with BVOD

and SVOD: While AVOD and FAST channels are gaining traction, it is important to recognize that they coexist with BVOD and SVOD services

rather than replacing them. BVOD, offered by broadcasters such as ITV Hub and All 4, continues to be popular, reaching an estimated 57% of UK adults each month. SVOD platforms like Netflix and Amazon Prime Video also remain strong, with an estimated 61% of UK households subscribing to at least one service. AVOD and FAST channels complement these offerings, providing additional options for viewers and offering advertisers an expanded reach.

And last but not least, the elephant in the room: the cost of living crisis.





THE COST OF LIVING CRISIS AND ITS IMPACT ON CTV VIEWING HABITS

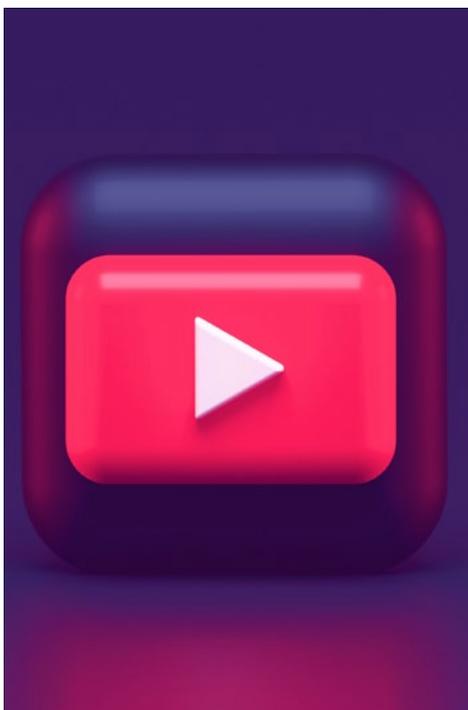
Let's be honest, the rising cost of living has had an impact on everyone, and the advertising industry is no exception. It's easy to see why though: when people feel the sting of rising prices, entertainment is among the first things to go.

According to ONS, the average UK household income in 2022 was £31,000. Households have an average disposable income of approximately £5,000/year, with Disney+, Netflix, and Amazon Prime Video subscriptions representing about 6% of that. Let's ask ourselves: how many people are willing to do that in a cost of living crisis?

As mentioned above, even Netflix, the world's largest SVOD platform, added an ad-supported tier, mentioning recently that over 25% of their new signups chose ad-based plans.

Viewers are not dropping content consumption altogether - they are simply finding other, cheaper, ways to do so. This is where AVOD (including YouTube) and FAST come in. This is made much easier by OEMs like Samsung and LG as they have made AVOD and FAST content easily accessible in their own walled gardens.

OEMs are investing massively in building infrastructure to bring free content to the masses. Plus, there is active movement away from TV license fees, encouraging people to find the same content for free elsewhere.



40% OF CTV VIEWERS IN THE UK WATCHED AVOD (INCL. YOUTUBE) CONTENT DAILY IN 2022

Source: FreeWheel

04



THE AVOD & FAST OPPORTUNITY FOR MARKETERS

The rise of FAST and AVOD in the UK is having a significant impact on the industry, as these services offer marketers a way to reach a large audience at a fraction of the cost of traditional TV advertising.

Linear TV is here to stay and is the backbone of all your marketing strategies. There is no other medium better at storytelling than linear TV and no other medium can reach millions of viewers in just one 30 second slot. However, marketers need to look elsewhere to find their entire TV audiences as viewing habits are changing and linear TV remains an expensive channel for brands and advertisers.

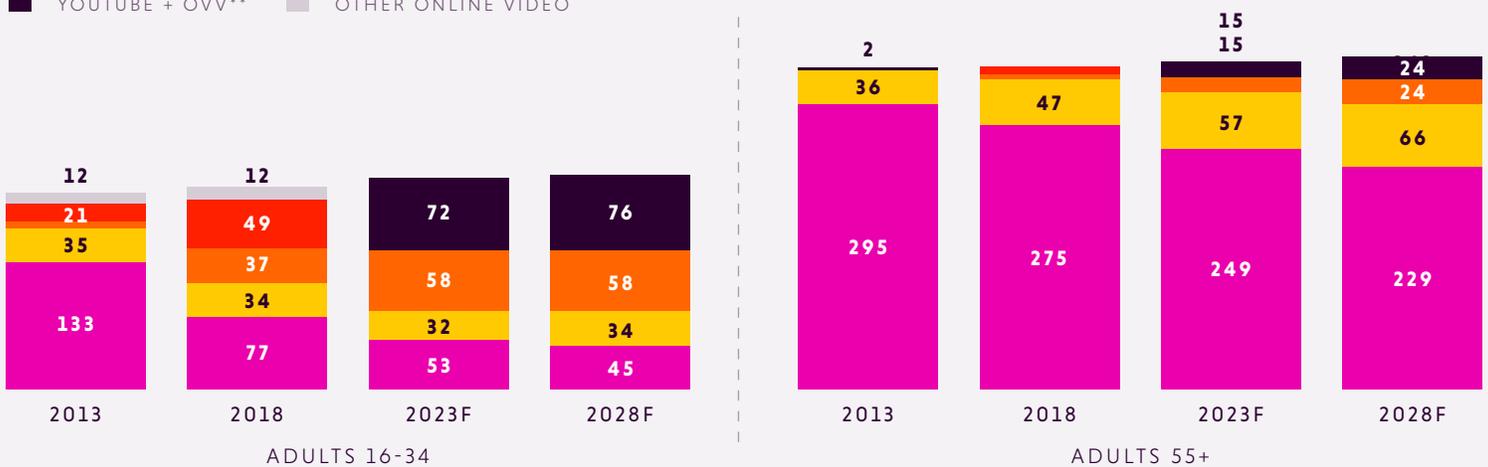


15% OF UK VIEWERS WATCH FAST CONTENT ON A WEEKLY BASIS

Source: VideoWeek

AVERAGE VIDEO VIEWING, BY AGE GROUP (MINS/DAY)

■ BROADCASTER: LIVE
 ■ SVOD*
 ■ BROADCASTER: NON-LIVE
 ■ YOUTUBE
■ YOUTUBE + OVV**
 ■ OTHER ONLINE VIDEO



*Broadcasters SVOD services (e.g. NOW TV) fall under 'Broadcaster' **Excludes adult content
 Source: Enders Analysis, BARB/AdvantEdge, ONS, Comscore & industry research)

04

With more players in the market, there is more content to consume. We're all consuming more video content and viewing continues to grow for all audiences, especially the younger ones. However, as you can see from the chart above, adults 55+ are also leaning into digital channels. Marketers should look at how you can complement your linear activity to find those audiences that are hard to find across linear and make your budgets work harder - we're not talking about taking money out of linear TV.

This is why marketers are increasingly investing in FAST and AVOD. Of course, this opportunity isn't something that can happen overnight, there are some caveats. Here's MiQ's approach:

1. First of all, the fragmented AVOD/FAST ecosystem consists of many walled gardens, but this is where MiQ's geo-contextual approach comes in as it allows audience activation across many platforms easily.

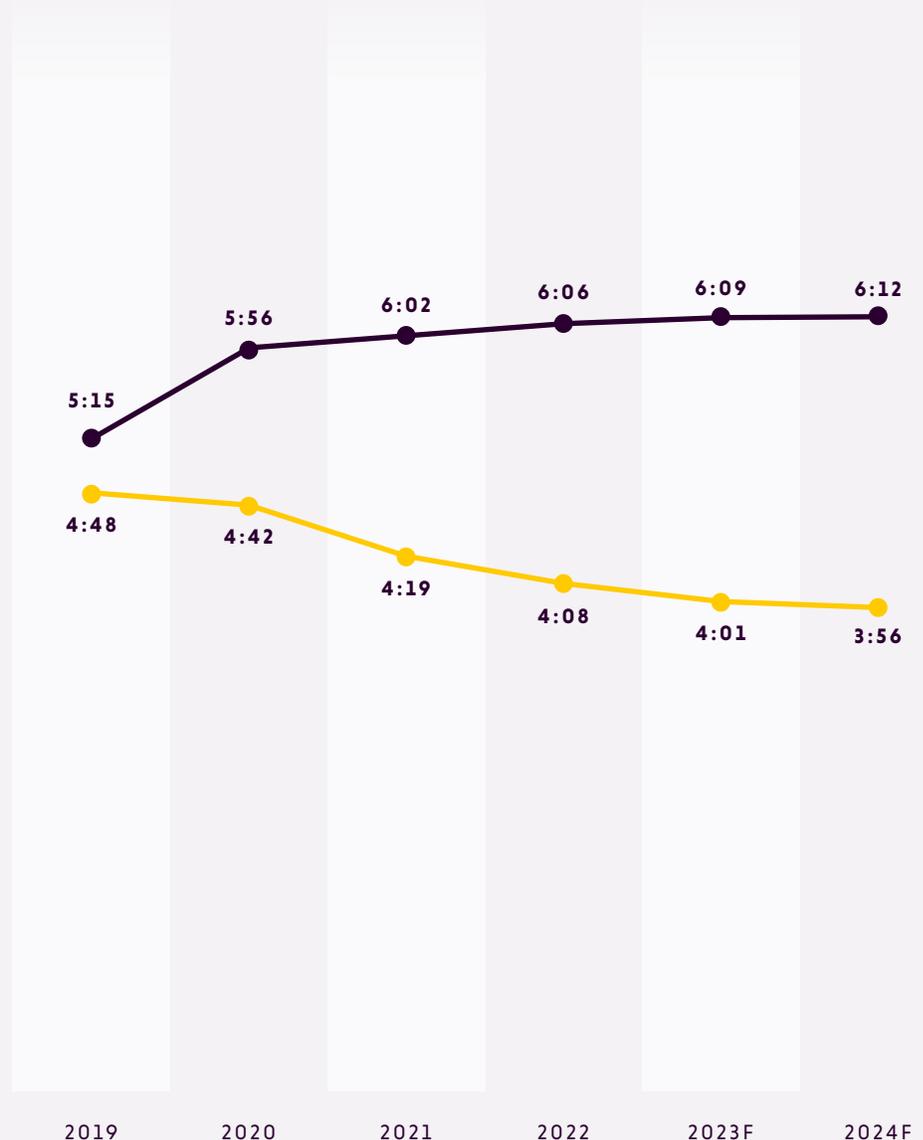
2. Secondly, measurement isn't quite straightforward. MiQ use Barb and AudienceProject to measure incrementality across linear TV delivery and your digital campaigns, thus seeing the effectiveness of CTV. This allows marketers to measure digital and linear activity holistically.

3. Third, transparency. As these are fairly new marketing channels, having the right partner is crucial for brand safety. MiQ brings transparency to this opaque ecosystem by working directly with publishers and prioritising content we know attracts engaged users.

TRADITIONAL VS. DIGITAL MEDIA: AVERAGE TIME SPENT IN THE UK, 2019-2024

HOURS:MIN PER DAY AMONG POPULATION

— TRADITIONAL — DIGITAL



Note: ages 18+ time spent with each medium includes all time spent with each medium regardless of multitasking

Source: eMarketer, April 2022

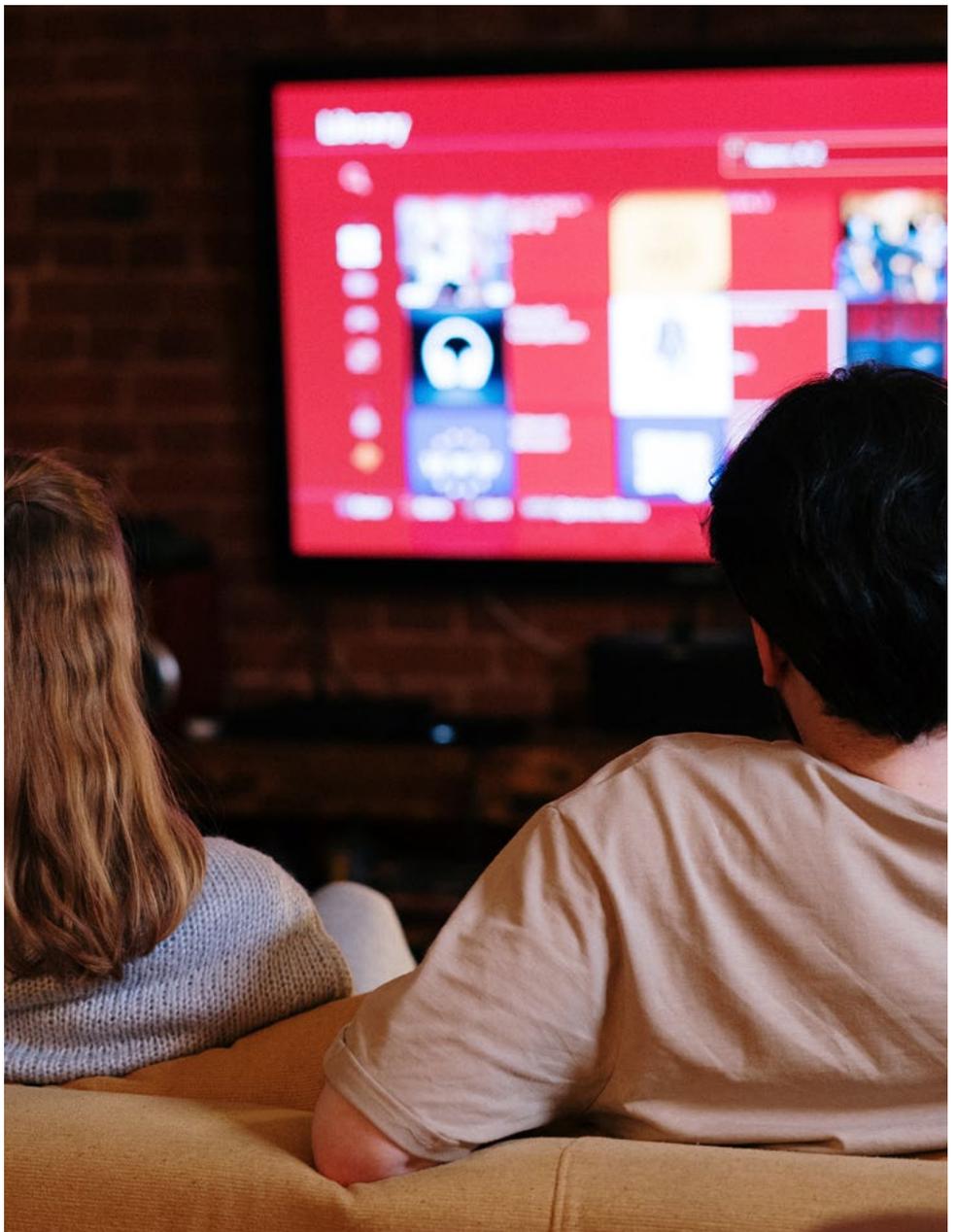
CONCLUSION

The rise of AVOD and FAST channels in the UK has disrupted the traditional broadcasting and streaming landscape. The accessibility, diverse content libraries, and advertiser appeal have propelled these platforms to the forefront of the digital entertainment industry.

AVOD's rapid growth, coupled with the increasing ad spend, signifies a shift in consumer behaviour and advertiser preferences. As viewers seek free or low-cost streaming options, AVOD and FAST channels provide an attractive alternative to BVOD and SVOD services.

Whilst all these models coexist, AVOD and FAST have emerged as game-changers, presenting new opportunities for advertisers and delivering a seamless viewing experience for consumers. As we look towards the future of TV, marketers must adapt their TV campaign strategies to these new realities or risk being left behind.

The future of TV is AVOD and FAST. The question is: are you ready for it?



ABOUT MiQ & CONTACT US

ABOUT MiQ

We're MiQ, a programmatic media partner for marketers and agencies. We connect data from multiple sources to do interesting, exciting, business-problem-solving things for our clients. We're experts in data science, analytics and programmatic trading, and we're always ready to react and solve challenges quickly, to make sure you're always spending your media investments on the right things in the right places.

Please visit us wearemiq.com or through our social channels below.



MEET OUR ADVANCED TV TEAM



PIERRE DE LANNOY,
Strategy Director, EMEA



STEPHEN EMSALL,
Business Enablement Director



DARIUS AL HADDAD,
Product Manager, Advanced TV



MICHAEL LAMPARD,
*Senior Solutions Engineer,
Advanced TV*

CONTACT OUR ADVANCED TV TEAM