Introduction

Connected TV (CTV) has come a long way since 2020. The days of free-trials and a handful of services seeking subscriptions have given way to a landscape of ad-supported options, emerging players, and the pursuit of profitability.

Over the course of this guide, we will breakdown the rapid rise of CTV as a premium channel, the technology powering monetization programs, and the tools at your disposal to make the most of your CTV inventory.
Part 1: The Rise of Connected TV

Just like eCommerce, telehealth, and the acceptance of remote work, the pandemic did a lot to speed up CTV innovation and adoption. To give you a sense, the number of CTV users grew nearly 7% between 2019 and 2020 to 209m. That’s just over 71% of all internet users. Fast-forward a few years and that number is estimated to reach 238m or nearly 77% of internet users in 2025.1

Although the initial explosion of CTV viewership is likely behind us, consumer habits have shown that their appetite for streaming content hasn’t abated. As per J.D. Power, 60% of US households subscribe to at least four streaming services2. While that’s an eye-popping number, it’s actually down from 84% in 2021.3 That said, viewers are not abandoning CTV; they’re just being more price conscious. Several economic factors, such as inflation and recession fears, have slowed the growth of the Subscription Video On Demand (SVOD) model gold standard.

Viewers, however, rather than giving up their CTV are shifting their consumption habits. Cue the Advertising-based Video On Demand (AVOD) and free ad-supported streaming TV (FAST) models. eMarketer estimates AVOD users will increase 17% by 2024 and FAST will increase 14% by 2024.4 These models seem primed to be the next growth area for CTV, striking a happy balance for both viewers and content-owners. They offer viewers a cost-effective option and content-owners a revenue stream beyond subscriptions.

THE AD SPEND COMETH

It’s no secret there’s a lot of people watching CTV content these days and, as they say, where the audiences go, the advertisers follow. In a short period of time, CTV has gone from questionably viable to widely desirable with the numbers to back it up. Between 2020 and 2022 CTV ad spend jumped an incredible 94% from 10.9bn to 21bn.5 In 2023, CTV ad spend is projected to climb another 27% to nearly 27bn. Even with these drastic increases, CTV spend will account for only 9.7% of all US digital ad spend, so there’s still plenty of room for growth within the larger advertising ecosystem.

The first wave of CTV advertising dollars had CTV publishers and adtech companies scrambling to put controls in place to take advantage of the boom and monetize valuable CTV inventory. These early solutions got the job done, enabling CTV ad serving but they were far from perfect, experiencing challenges with frequency capping, calling additional demand partners, and more. Thankfully, the industry has addressed some of these problems as CTV has matured. Today, there are a host of tools and solutions for publishers to consider when monetizing their CTV inventory.

The sheer number of options can get overwhelming. So, before testing any technology, it’s important to understand how you want to monetize your inventory.
Building an effective CTV monetization program is no small feat. Whether you’re starting a program for the first time, evaluating a new partner, or trying to grow your existing program, the old saying “know thyself” could not ring truer. Having a clear picture of how your business wants to monetize its CTV inventory will help you decide what tools you’ll use to do so. With that, let’s dig into the different CTV monetization strategies out there.

There are three primary strategies by which you can sell your CTV inventory: direct-sold, the open exchange, and deals. You can align all these demand sources to meet your business’s needs via a unified auction.

01 DIRECT-SOLD

Direct-sold campaigns are contractual, one-to-one agreements between a seller and a buyer. When terms are agreed upon, the publisher will set up the campaign on the advertiser’s behalf using their ad serving technology of choice. For many publishers, direct deals are the preferred, or most desirable way to monetize their inventory, as privileged direct relationships with buyers leads to recurring sales orders. Direct campaigns also tend to garner higher CPMs depending on the terms and type of campaign being run. There are two main types of direct-sold campaigns to be aware of: guaranteed and non-guaranteed.

Guaranteed

Like the name implies, guaranteed direct-sold campaigns are just that. Publishers agree to provide advertisers with a guaranteed number of impressions within a designated timeframe. Guaranteed campaigns can also be sold on a percentage basis.

For example, an advertiser could run a campaign to serve on 30% of all targeted inventory. These agreements can also require that impressions appear on specific inventory, for example all cooking-related content. The guaranteed nature of these campaigns makes them very valuable, as an advertiser owns the targeted audience for the duration of the campaign.

Non-guaranteed

Non-guaranteed campaigns differ from guaranteed campaigns in that they can use algorithms or be “optimized” to meet specific campaign or business goals. Some optimization examples include pacing, budget allocation, inventory discovery, and inventory valuation. Non-guaranteed campaigns also have set impression budgets, but they aren’t guaranteed to serve the full budget because they compete against other demand sources. This is beneficial if, for example, you have a direct non-guaranteed campaign for an advertiser that’s at a lower CPM than another demand source — the higher CPM demand still has a chance to serve.
The open exchange is the auction-based buying mechanism we’ve come to know as real-time bidding (RTB) or ‘programmatic’. It’s where demand-side platforms (DSPs) and supply-side platforms (SSPs) meet to connect inventory and ad dollars within nanoseconds.

Up until recently, CTV inventory was only available through direct-sold transactions forcing publishers to rely on direct-sold as their only means of monetization. CTV publishers were left leaving money on the table, unable to access scaled programmatic demand and eager to take advantage of programmatic buying to fill their inventory the same way they would digital display ad inventory.

Now, we just said that direct-sold deals are generally preferred by publishers and that’s true. So why would you want to allow demand from the open exchange?

To some, deals can be considered the crème de la crème of inventory monetization. Why? Because deals generally represent the ‘secret sauce’ of a publisher — whether that be their content, audience, data assets, or all the above. Advertisers value deals with publishers because they can tap into inventory that makes the publisher unique with the assurance of knowing they are reaching their target customer. Publishers spend lots of time and money securing media rights and, in some cases, producing content to engage and grow their viewership (i.e., audiences) and are justified in charging higher CPMs for deals that highlight their strengths.

The more sophisticated a publisher is in terms of organizing content and learnings about their audience, the more enticing they can make their deals to advertisers. For example, let’s say a particular FAST app has a content library with a large amount of cooking and nature documentary content. Cookware and Outdoor Retail brands would be prime advertiser candidates for this content, willing to pay higher CPMs to reach their target audience.

Let’s say the FAST app also knows their viewership’s age demo is 25–40, its gender demo is female-dominant, and its nature documentary content gets the highest viewing times. The FAST app will be able to change premium CPMs to outdoor retail brands or other advertisers who are trying to reach customers meeting those characteristics.

You may be asking; wouldn’t I want to apply this same logic to my direct-sold campaigns? How do ‘deals’ differ from the direct-sold campaigns mentioned earlier? For starters, yes, you would want to promote your inventory’s strengths when courting advertising partners. It’s how you’ll set yourself apart from the other publishers and media companies vying for ad dollars. As for how deals differ from direct-sold, the main difference is that they are transacted upon programmatically, bringing access (to premium inventory) and convenience (for advertisers) to the buying process.

To be a little more specific, deals are organized (be it curated inventory or a data asset) by the publisher, turned into a deal ID, and then that ID is targeted by the advertiser’s DSP of choice.
WHEN RUNNING DEALS, THERE’S A FEW DIFFERENT OPTIONS AT YOUR DISPOSAL:

**Single-buyer deals**
Just like a direct-sold deal, it’s a 1:1 agreement between a publisher and advertiser, except targeted and purchased programmatically via the advertiser’s DSP. If the amount of inventory to be purchased through the deal is guaranteed, the deal is known as a Programmatic Guaranteed deal.

**Multi-buyer deals**
One of the benefits of running a deal is that they can be set up to be targeted by multiple buyers. Deals can be made available to multiple advertisers to buy through different DSPs or even all buyers within a single DSP. These can be very beneficial to publishers, particularly those without large sales teams or who have niche inventory, because they can set the deal up once and scale its availability programmatically.

**Private Marketplaces (PMP)**
Another variant of multi-buyer deals are Private Marketplaces, also known as Preferred deals. Private Marketplaces allow you to invite hand-picked advertising partners to purchase your deal— they essentially have ‘first-dibs’ to that inventory. The advertisers you invite to your private marketplace aren’t obligated to buy, however they usually will want to as you’re granting them reduced competition to serve on your inventory.

04 UNIFIED AUCTION

Ultimately, it’s up to you to determine the best monetization strategy to suit your business needs. However, revenue diversification is paramount to a sound monetization strategy. It’s common for publishers to prefer one type of monetization, say direct-sold, but then supplement that demand source with another, like the open exchange, to safeguard overall revenue. Diversifying revenue streams is critical to your success but managing those demand sources to ensure your preferred revenue stream takes priority is just as important. That’s where a ‘unified auction’ comes into play.

A unified auction allows demand sources to be prioritized but most importantly calls all demand sources simultaneously. This allows demand sources to compete against each other, thus garnering more revenue for the publisher. Today, this is done using technology known as header bidding. There is a storied history behind the birth of header bidding which you can learn more about here.

In a nutshell, header bidding was essential in ‘democratizing’ the auction, giving demand partners an equal opportunity to win while giving publishers transparency into who was bidding on their inventory and for how much.

This contrasts from the original ad tech waterfall setup where demand was prioritized, but every call was made sequentially. If a higher priority demand source didn’t respond with valid demand, the next demand source would be called. In a waterfall, if the first bid was $2 but the second bid would have been $5, the publisher would only see the $2 bid if it were valid. Running a unified auction allows the publisher to see all bids at once, and then take the highest bid of the highest priority.

To look at a real example, check out how Ovation TV simplified their demand management across direct and programmatic sales channels to establish a unified auction and grow their business.

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**WATERFALL AUCTION**

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<th>Floor</th>
<th>Status</th>
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<tbody>
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<td>Partner 1</td>
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<td>Losing bid</td>
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<tr>
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<td>$2.00</td>
<td>Winning bid</td>
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<tr>
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</tr>
<tr>
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</table>

**HEADER AUCTION**

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<th>Bid</th>
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<th>Status</th>
</tr>
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<tr>
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<td>$3.40</td>
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</table>
Part 3:
Understanding the CTV Adtech Stack

At this point you may be thinking, this all sounds great but how do I execute these strategies and tactics? What tools are available to me to accomplish my monetization goals? Well, there are a few paths available to make CTV inventory monetization possible.

Publishers can choose to build their own adtech stack or partner with a vendor — there are pros and cons to each. For instance, building your own tech stack requires time and resources to not only build the tech but also maintain it but, in the end, you own your technology. Partnering with a vendor and using their technology greatly reduces the time it takes to start monetizing your inventory but requires you to pay a platform fee or share revenue in exchange for using their services. Most publishers generally partner with at least one vendor to power a portion of their adtech stack given the high upfront costs of building homegrown solutions. Whichever route you choose, let’s discuss the core technology necessary for a well-rounded monetization program.

**AD SERVER**

This is where it all starts. The ad server is the backbone of any CTV monetization program. You can think of the ad server as the great decision-maker. It’s where you set the rules for your inventory — rules for when campaigns serve, rules for what price advertisers will pay, which demand sources have priority over others, what types of advertisers and creatives are allowed to run, even who ads can be served to (i.e., targeting). This is a small list of the full possibilities.

Perhaps the most elemental function of the ad server is to allow publishers to traffic direct-sold campaigns. As mentioned before, publishers set up their direct-sold campaigns on behalf of advertisers. The more sophisticated the ad server, the more targeting and optimization choices you can provide advertisers, allowing you to deepen existing relationships and court a wider array of new partners. Some of these choices include location, device, demo (age, gender, etc.), contextual, and audience targeting and campaign options like dayparting (ads serving at a certain time of day), frequency caps (how often a viewer sees the same ad) and pacing controls. You can also impose competitive separation rules for your campaigns, ensuring advertisers their ads won’t appear alongside the ads of brands they see as competitors. For example, guaranteeing that an ad from Soda Brand A doesn’t run immediately after an ad from Soda Brand B.

An important note on contextual targeting

Contextual targeting delivers ads based on keywords and content rather than user information. The intent is to place ads alongside relevant content reaching a broader audience rather than trying to pinpoint specific user behavior. For example, a fertilizer brand may use contextual targeting to place their ads in home improvement and gardening programming, as the viewership for those programs likely have a need for fertilizer (i.e., are homeowners, enjoy gardening, have too many houseplants, etc.).

Contextual targeting is especially important in the CTV space as advertisers generally seek to reach audiences who are consuming specific content. It also helps uphold positive user experience, which is critical to publishers in the video space. Scrolling past a banner a user doesn’t want to see is one thing, but interrupting a user’s viewing experience with an irrelevant or inappropriate video ad could cause drop off.

Executing contextual advertising requires the ad server to have standardized descriptions of content, which is where video content metadata comes into play. Video content metadata is a powerful tool in the targeting toolkit, offering the ability to target programming based on genre, rating, even specific show or network. With video content metadata, publishers can not only support contextual targeting but also apply metadata to other monetization needs like ad quality, forecasting, and floors. Learn more about video content metadata use cases here.
Ad servers don’t just meet direct sales needs, they can also be integrated with supply-side platforms to bring in additional programmatic demand for your inventory. You can apply rules in your ad server to control how each demand source reaches your inventory. For example, you can set priority rules to ensure that all your direct campaigns serve and fulfill their commitments before accepting any demand from the open exchange.

The ad server is also where you will create and manage your inventory. It’s in the ad server where you can manage ad pods, groups of ads expected to play back-to-back in one commercial break, as well as set the price for said inventory. It’s here that you can also apply rules for which advertisers and content categories are allowed to serve on your inventory. For example, you can choose to block all advertisers with sports betting creatives from appearing on your inventory. This is known as ad quality.

Finally, no ad server would be complete without the ability to report back to advertising partners (and your own teams) on the success of the campaigns they run with you. The ability to show engagement and proof you’ve delivered on commitments is crucial to sustaining relationships. That said, there are many different permutations reporting can take beyond engagement and delivery. For example, reports can focus on creative information, showing what creatives served and on what inventory. Reports can also address troubleshooting and show if any errors occurred when trying to serve ads.

Not only can ad servers report on what’s served, but sophisticated ones can also report on the future, also known as forecasting. Ad servers can use the reporting information mentioned above to predict future inventory availability. Providing accurate forecasting ensures sales teams know how much inventory is available to sell, as well as helps ad operations teams avoid campaign scheduling conflicts.

**Attributes to look out for when evaluating an ad server:**
- Inventory and demand management
- Brand safety compliance and controls
- Forecasting and reporting

There are a few header bidding options available, but by-and-large the most used is the open-source Prebid.js framework. Publishers can choose to manage their Prebid.js code themselves or work with an SSP to manage their code for them.

Recently, header bidding has taken another step forward with server-side header bidding, an execution model in which the publisher’s ad server handles the load of running the auction (rather than the webpage) to decrease latency and increase the number of demand partners a publisher can include in their header bidding setup. When evaluating an SSP it is important to consider the ease of use and flexibility of their header bidding solution alongside the demand volume and yield management options offered.

**Attributes to look out for when evaluating an SSP:**
- Demand reach and scale
- Yield management and optimization
- Integration flexibility
Part 4: The Benefits of Unifying your Tech Stack

Once you start assessing the options for your adtech stack, you’ll find there are a vast number of vendors you can work with. Each vendor you come across will have their own strengths and weaknesses, with certain ones specializing in different areas. It may feel as if you need to work with multiple vendors to get the best of everything. While you may end up working with multiple partners to power your adtech stack, for instance it’s common for publishers to work with multiple SSPs to maximize their yield opportunities, there are some serious benefits to streamlining.

Curation Services offer a user interface that streamlines the process of packaging your inventory, data assets, or both, into deals while making them more convenient for your demand partners to buy. Curation services will allow your partners to conveniently purchase your deals using their preferred DSP. The more DSPs your curation service connects with, the more deal-seeking advertisers you can accommodate.

Making your deals easy to buy is half the battle. The other is making your deals discoverable for potential buyers, which helps them scale (at least from the publisher perspective). Some curation services will provide the option of making your curated deals available via a marketplace, which can increase the yield opportunities. Working with an SSP that has a curation service as well as a robust marketplace is an important nuance to consider.

Attributes to look out for when evaluating curation services:
- Streamlined deal creation
- DSP integrations for simplified buying
- Deal discovery options

Minimizing discrepancies
When discussing ad servers and SSPs, we mentioned each has their own reporting features to report on inventory performance. It’s important to know that reporting — both the fields available and methodology behind the reports themselves — differs from company to company. When it comes time to aggregate reporting across platforms, reconciling the numbers can quickly become a nightmare. Working with fewer vendors significantly reduces discrepancies between reporting numbers as your reports will come from the same place.

Workflow efficiency
Consolidating your stack means working with fewer partners. This reduces the ‘chair-swivel’ between different platforms and ultimately helps improve efficiency. Your ad operations and yield management teams will spend less time learning and logging into multiple platforms and instead can dive deep and build greater proficiency with the single platform.

Cost savings
It’s not uncommon for adtech vendors to apply a ‘platform fee’ for the use of their services. This can come in addition to any revenue sharing agreements or ad-serving fees that may already be in place. When working with multiple vendors to run different areas of your monetization program, you’re likely to incur multiple such fees. For example, using different vendors for your ad serving and SSP needs will have you paying two separate fees. By unifying your tech stack, you can cut back on duplicate fees by accessing multiple products within a single suite. It’s always worth asking to see if any discounts or ad-serving credits can be applied for your business in exchange for using multiple technologies from a single vendor.

An important note on data and privacy compliance
While not necessarily a standalone technology, it’s incredibly important to understand how your tech vendor handles data and complies with privacy laws like GDPR, GPR, GPC, TCF, and others. Always ask what measures and controls are in place to protect your business and your users’ data.
Conclusion

You made it! We hope you found this information insightful and that it helped to demystify some of the jargon and nuance that come with CTV Monetization. We hope you’re feeling a bit more prepared as you set off to evaluate your CTV monetization adtech stack options.

Having the right monetization partner is everything in the CTV space. Xandr, a Microsoft company, provides a full suite of publisher solutions — Monetize Ad Server, Monetize SSP, and Curate — helping over 800 direct and third-party CTV publishers monetize their inventory through connections to over 193k brands and 80+ DSPs.

To find out how Xandr can help, contact your local representative or contact us here.

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