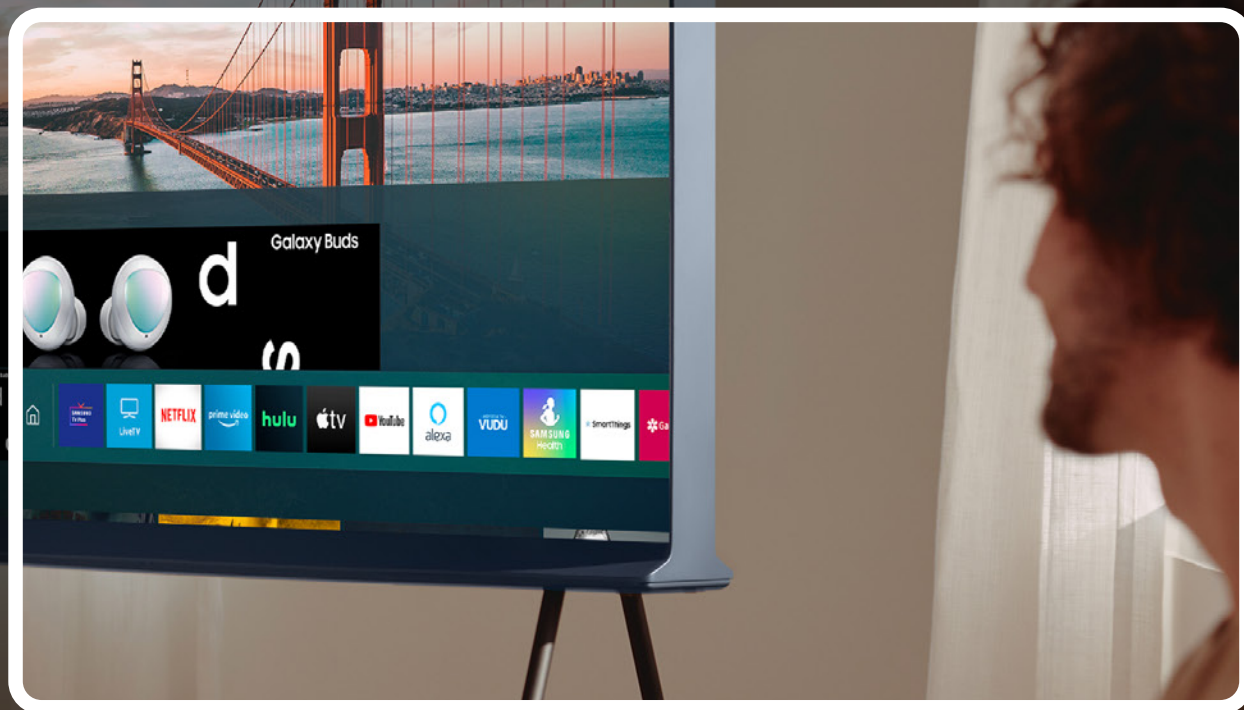


Behind the Screens / <sup>SAMSUNG</sup> Ads

U.S. Only



# Rule of 40: The Rebalancing Act



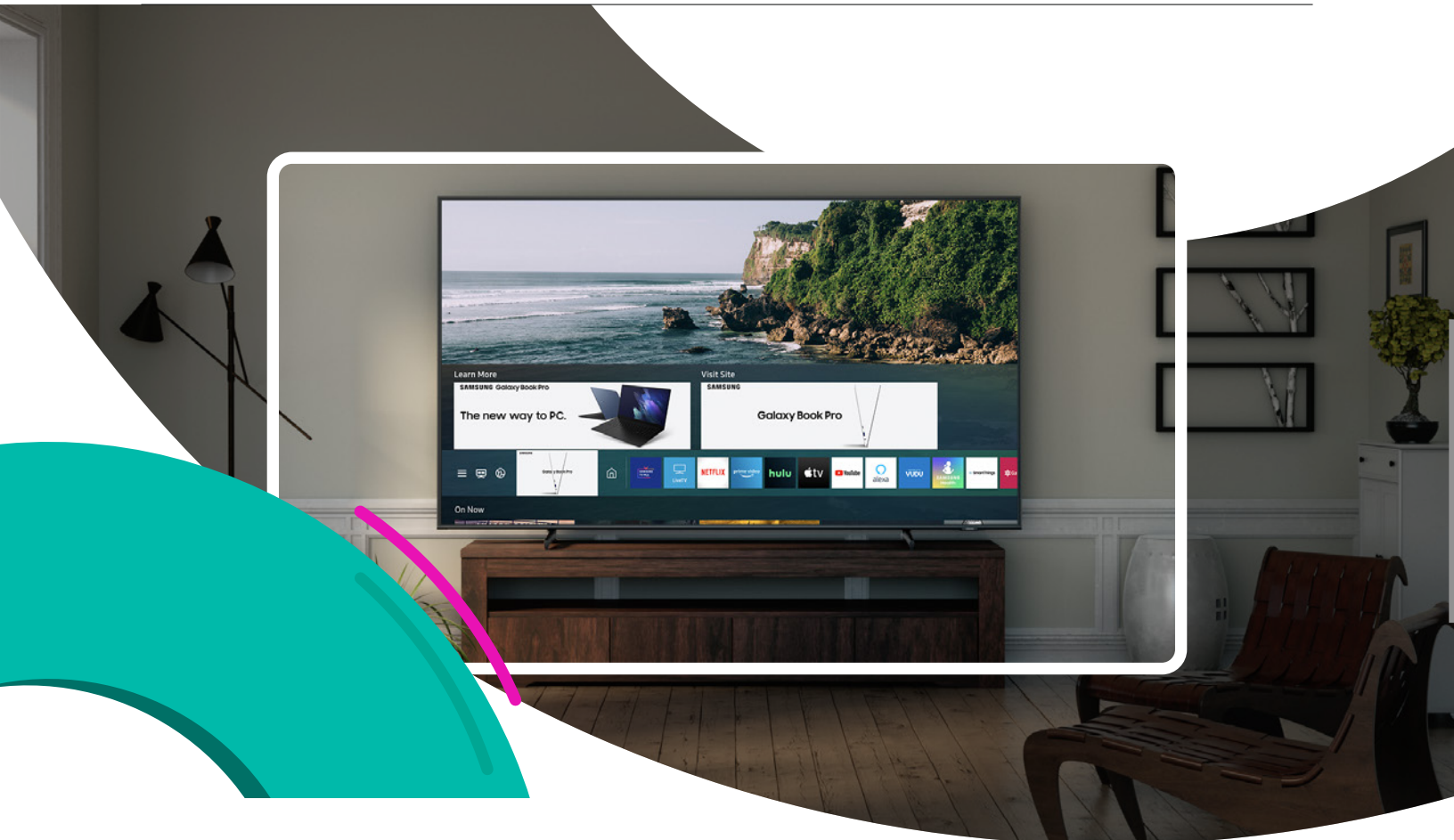


## Rule of 40: The Rebalancing Act

Whenever audiences make a major change, advertisers struggle with the same question:

How do I reallocate **and rebalance** my media budgets to keep pace?





## Methodology

Samsung Ads data is one-to-one, deterministic data that is not modeled or based on aggregated panels. Our first party data is powered by Automatic Content Recognition (ACR) technology which identifies content viewership across linear TV, OTT, and gaming environments. We have the ability to measure whatever is happening on the TV device—with privacy by design.

Our Smart TVs offer consumers the choice to opt in to receive Interest-Based Ads and the ability to customize their Smart TV viewing experience. We employ industry-standard security safeguards and practices to protect information. For more information on Samsung's privacy policy, check out: <https://www.samsung.com/us/account/privacy-policy/samsungads/>

Third party data from The Nielsen Company (used under license from Nielsen but model results are neither validated nor endorsed by Nielsen) and MediaRadar were sourced for the purpose of this analysis.

Samsung Ads created a model to measure the GRP delivery of network and cable TV schedules against linear-only and streaming-enabled audiences. We ran different scenarios to find the point at which parity between the two groups can be attained.



# Time to Rebalance TV Budgets

Audiences are embracing streaming at such a rate that advertisers must look afresh at their balance of linear TV and ad-supported streaming. Samsung Ads has modeled scenarios of TV advertising for Q3 2021 and beyond and derived a “Rule of 40”:



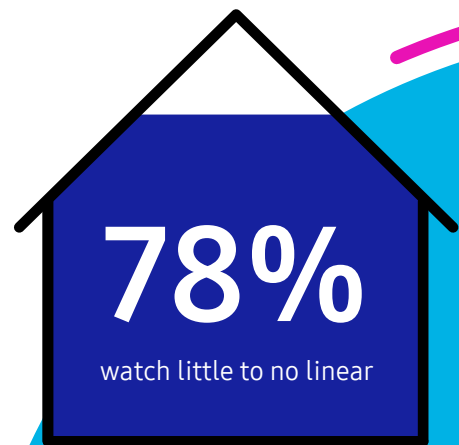
**Unless 40%<sup>1</sup> of TV budgets are allocated to ad-supported streaming, or AVOD, advertisers will remain in a state of severe imbalance.**

Naturally, the recommended AVOD (Ad-Supported Video on Demand) allocation will differ based on ad category and target audience. For illustration purposes, guidance is offered for Automotive, CPG, and Network Tune-In advertisers. Our model shows that regardless of demographic target and budget allocation by programming genre, the need for significant AVOD allocation exists.

The heart of the challenge lies in what Nielsen labels “linear-only homes” and “TV-connected device homes” (which we have renamed “streaming-enabled homes”). Using linear as a primary form of reach, linear-only homes will consume more than their share of media delivery, and starve the streaming-enabled homes.

Even among streaming-enabled homes—using the 50M+ Samsung Smart TVs in the U.S. as a data source—there is strong differentiation of linear viewing. 78% of these homes watch little to no linear and will be missed by a linear-only strategy. **These audiences can only be reached effectively on TVs with AVOD.**

Getting this balance right is a new challenge. The pandemic accelerated audience behavior change. Different audience segments behave distinctively and must be managed with a level of customization. We are calling this challenge of the 2020s the Rebalancing Act.



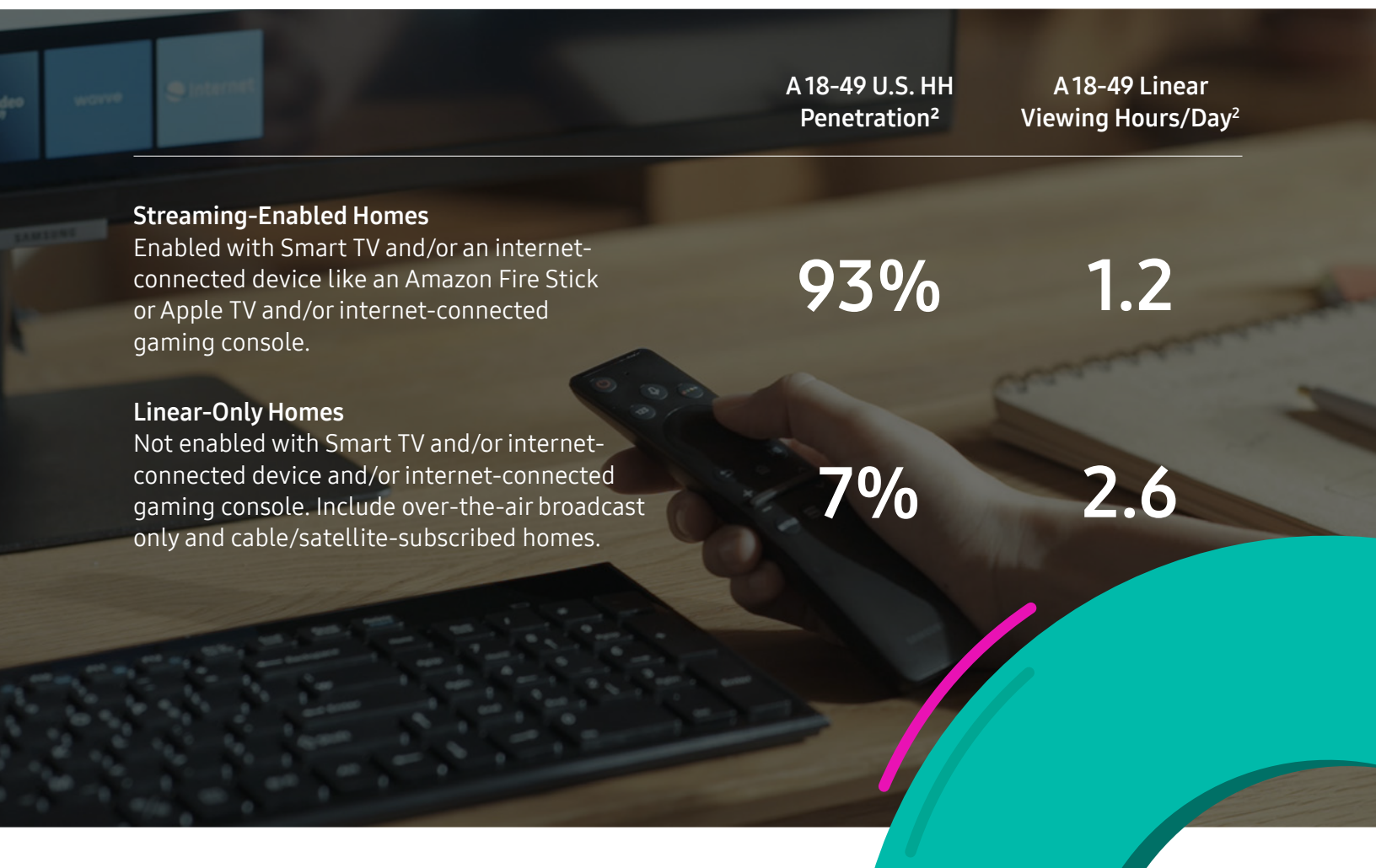
<sup>1</sup> Samsung Ads Model.

# State of Imbalance

## Over-Delivery to Linear-Only

Audiences' rapid adoption of streaming has created two distinct ecosystems in the US. On one side are streaming-enabled households that have access to an enabled Smart TV and/or an internet-connected device like an Amazon Fire Stick or Apple TV. Within the A18-49 U.S. TV Universe, these homes have a penetration of 93%. On an average day, these homes watch only 1.2 hours of linear content. The number of these homes is growing.

On the other side are linear-only homes that don't have an enabled Smart TV or an internet-connected device. These homes represent a significantly smaller portion of the A18-49 US universe at just 7% penetration. They can only view linear content on their TV and watch 2.6 hours per day.<sup>2</sup> **Linear budgets are likely to over-deliver to linear-only homes, creating an imbalance significantly.**

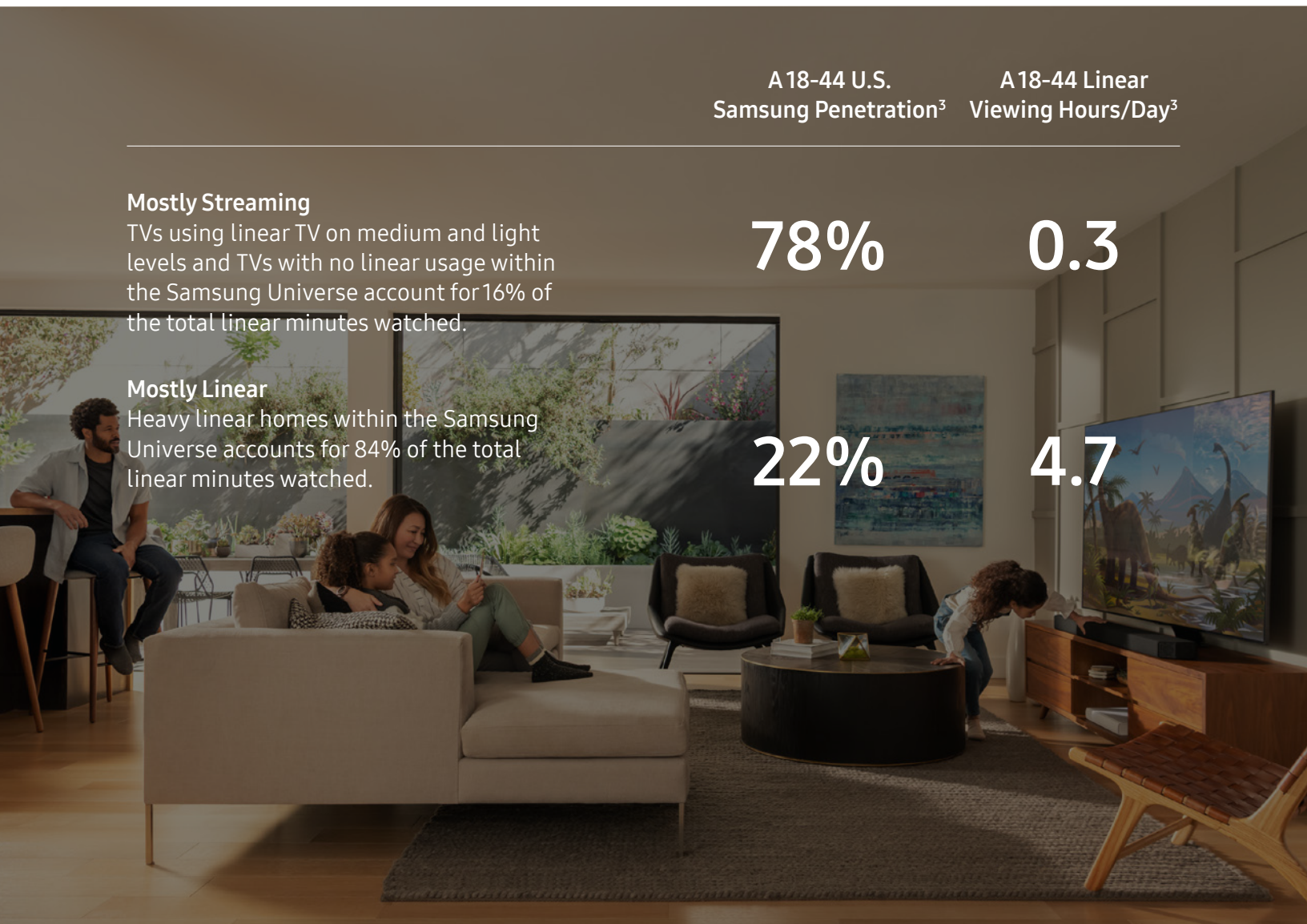


<sup>2</sup> Nielsen NPOWER TV Data, Total Day, Live + Same Day, A18-49, 12/28/20-3/28/21.

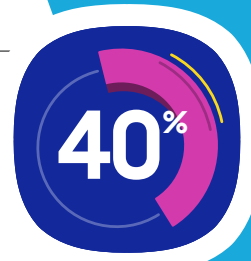
## Missing the “Mostly Streamers” – A Look Inside the Samsung Ecosystem

But the risk is not just in over-delivery to linear-only homes. Under-delivery to streaming-enabled homes is an even bigger risk. To illustrate the dynamics within streaming homes, we turn to data about the Samsung Smart TV ecosystem.

Here, 22% of TVs watch nearly five hours of linear per day. The majority of TVs—78%—are “mostly streaming” and watch linear for **only 1/3 of an hour per day**, and many reliably watch no linear at all. Samsung Ads has observed that linear campaigns miss 81% of the “mostly streaming” TVs when compared to “mostly linear” TVs.<sup>3</sup> This adds a level of urgency to the challenge. For mostly streaming TVs in the Samsung Smart TV ecosystem, the only effective means of media delivery is through AVOD.



<sup>3</sup> Samsung proprietary ACR data, U.S. Only, A18-44, Q1 2021.



# Rule of 40

## Place 40% on AVOD

How, then, to achieve balance in delivery to the linear-only and the streaming-enabled? To answer this question, we created a simulation of a Q3 2021 TV buy.<sup>4</sup> We factored in different allocations between linear and AVOD in order to find the optimal mix where delivery to linear-only homes and streaming-enabled homes approach parity. **The result is “The Rule of 40”: when 40% of the TV budget is allocated to AVOD, advertisers will achieve balance.**

When no allocation is given to AVOD (meaning 100% of the budget is allocated to linear), linear-only homes are being over-delivered by approximately 2x. At the same time, delivery suffers toward the larger pool of viewers in the streaming-enabled homes. As more allocation is shifted toward AVOD, delivery moves toward balance. Generally, at the point of 40% allocation to AVOD, streaming-enabled homes are delivered close to target, and total TV delivery is more balanced.

## Delivery Index

This experiment was repeated across different categories, demographic targets, and genre mixes with substantially similar results. For instance, a typical linear-only Automotive campaign will index at 197 for impression delivery to linear-only homes, while a CPG campaign will have an index delivery of 203. Both will under-serve streaming-enabled homes at an index of 92. At a 40% AVOD allocation, the streaming-enabled homes delivery index reaches 99 and 98 respectively—approaching parity.

Budget Allocation		Automotive	CPG	Networks
<b>100% Linear/ 0% AVOD</b>	Linear-Only Homes	197	203	202
	Streaming-Enabled Homes	92	92	92
<b>75% Linear/ 25% AVOD</b>	Linear-Only Homes	142	158	153
	Streaming-Enabled Homes	97	96	96
<b>60% Linear/ 40% AVOD</b>	Linear-Only Homes	110	129	122
	Streaming-Enabled Homes	99	98	98

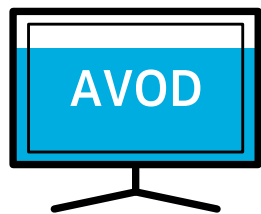
<sup>4</sup> Samsung Ads Model.

# Rebalancing with AVOD

## AVOD at Scale

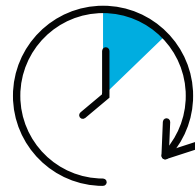
In the early years of streaming, ad-free subscription-based services dominated streaming. If that were true today, it might present a crisis for advertising. Fortunately, that notion is outdated. Using Samsung Smart TVs as a dataset, the TVs that watch ad-supported streaming services (AVOD) accelerated during 2020. AVOD viewership grew from 64% penetration in Q1 2020 to 72% in Q1 2021, even slightly surpassing the penetration of subscription services.

In terms of time spent, AVOD increased +95% in that same period, with viewers spending 1.3 hours per day with AVOD, compared to 1.4 hours per day with SVOD.<sup>5</sup>



**72%**

Reach of AVOD on Samsung Smart TVs



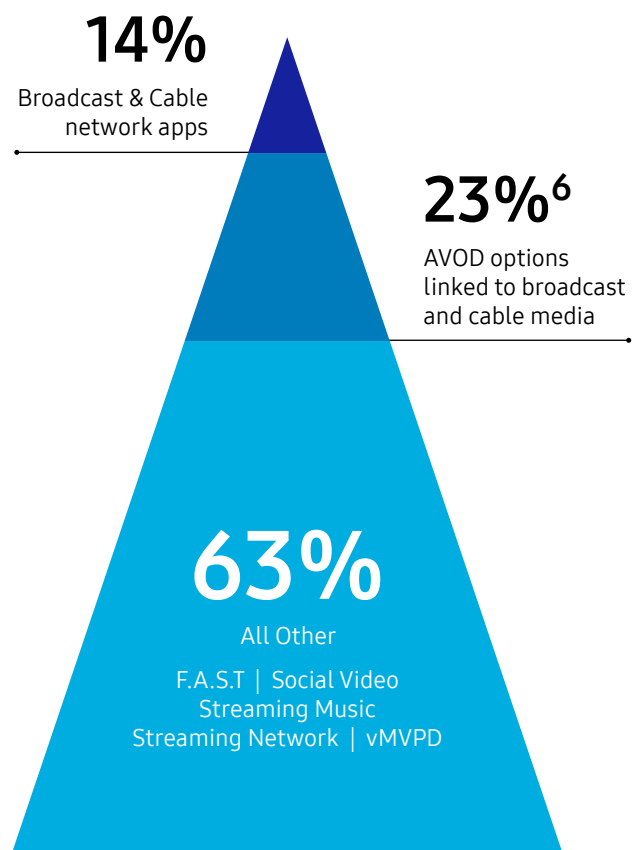
**1.3**

AVOD Hours Viewed/Day on Samsung Smart TVs

## Exploring AVOD

Relying on broadcast and cable to fulfill AVOD budgets, while a potentially convenient option, is a recipe for limited success. On Samsung Smart TVs, Broadcast and Cable network app offerings only captured 14% of the total ad-supported viewing minutes in Q1 2021. When combined with the AVOD services owned by the major media companies the 2 groups comprised 37% of AVOD time spent.

This leaves the majority of AVOD time spent—63% (based on Q1 2021 viewing)—among a variety of AVOD options not affiliated with Broadcast and Cable networks, including F.A.S.T services (Free Ad-Supported TV), social video, streaming music, streaming networks, and virtual MVPDs.<sup>5</sup>



<sup>5</sup> Samsung Ads proprietary ACR data, Total Audience, US Only. Q1 2021, Q1 2020.

<sup>6</sup> At the time of analysis, Samsung Smart TVs did not carry Peacock on their app store.



# Rebalance Based on Audience



## Format Preference

For advertisers, where to allocate budget depends on finding a fit aligned to the preferences of the target audience. Different segments find a balance between linear and streaming at different levels, providing opportunities to optimize the Rule of 40. In the table, AVOD allocation runs between 40% and 50%. For Luxury Auto Intenders, optimal AVOD allocation is 45%, crucial since 69% of Luxury Auto Intenders prefer streaming.

Budget Allocation	Luxury Auto Intenders	Millennial Moms	Sports Enthusiasts	A18–44	HHI \$100K+	A25–54
Optimal AVOD% <sup>5</sup>	45%	40%	35%	45%	45%	50%
Streaming-Enabled Home Delivery Index <sup>7</sup>	100	101	99	100	99	99
Mostly Linear Audience % <sup>5</sup>	31%	29%	61%	22%	37%	32%
Mostly Streaming Audience % <sup>5</sup>	69%	71%	39%	78%	63%	68%

<sup>5</sup> Samsung Ads proprietary ACR data, Total Audience, US Only. Q1 2021, Q1 2020.

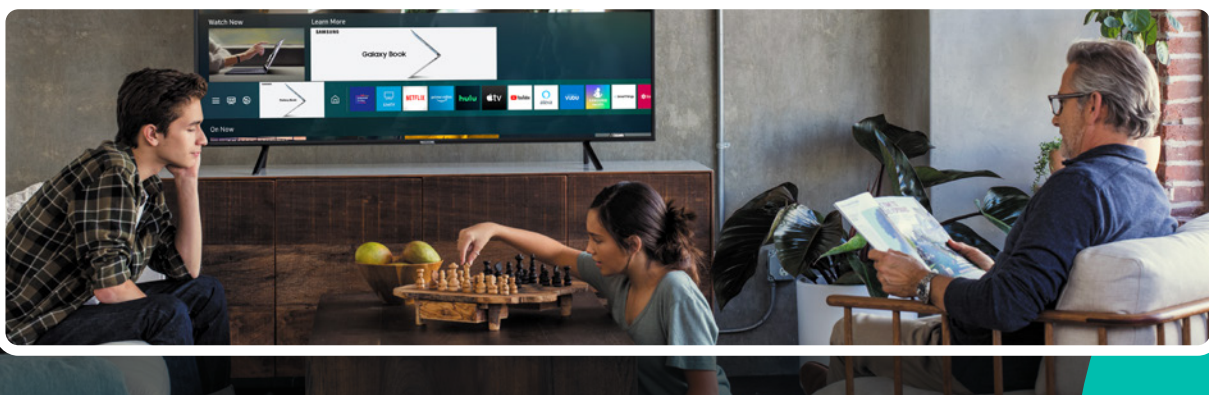
<sup>7</sup> Indicates the level of expected media delivery in relation to goal. 100 = on target. 99 = 1% less than target.

### AVOD Content Preference

As in linear planning, understanding the AVOD content that is most likely viewed by your target audience is necessary to achieve success. Leveraging the genres preferred on Samsung’s F.A.S.T service, Samsung TV Plus, we are able to identify the content preferred by a given audience to optimize an AVOD plan. For instance, in order to reach Millennial Moms, a strategy around technology and gaming, comedy, and movie channels would be the right mix to optimize exposure.

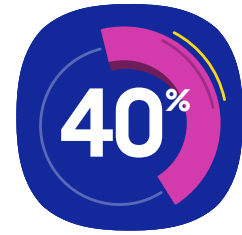
### Top 5 Samsung TV Plus Genres<sup>8</sup>

Luxury Auto Intenders	Millennial Moms	Sports Enthusiasts	A18–44	HHI \$100K+	A25–54
<b>Shopping</b> 117 Index	<b>Tech &amp; Gaming &amp; Science</b> 117 Index	<b>Sports &amp; Outdoors</b> 130 Index	<b>Music</b> 110 Index	<b>Shopping</b> 113 Index	<b>Music</b> 105 Index
<b>Comedy</b> 116 Index	<b>Comedy</b> 117 Index	<b>Comedy</b> 129 Index	<b>Tech &amp; Gaming &amp; Science</b> 102 Index	<b>Comedy</b> 108 Index	<b>Tech &amp; Gaming &amp; Science</b> 99 Index
<b>Movies</b> 116 Index	<b>Movies</b> 115 Index	<b>International</b> 74 Index	<b>Kids</b> 101 Index	<b>Tech &amp; Gaming &amp; Science</b> 106 Index	<b>Kids</b> 99 Index
<b>International</b> 113 Index	<b>International</b> 113 Index	<b>Music</b> 71 Index	<b>Comedy</b> 100 Index	<b>International</b> 106 Index	<b>Comedy</b> 97 Index
<b>Tech &amp; Gaming &amp; Science</b> 112 Index	<b>Kids</b> 110 Index	<b>Tech &amp; Gaming &amp; Science</b> 70 Index	<b>International</b> 96 Index	<b>Lifestyle</b> 101 Index	<b>Sports &amp; Outdoors</b> 93 Index



<sup>8</sup> Samsung Ads analysis, Q2 2021.

# Four Takeaways for Successful Rebalancing



As an industry, we have faced the reallocation challenge multiple times, from the adoption of digital video to social networks and smartphones—even going back to cable TV. This time, it is streaming.

AVOD is new territory for the industry, so it's not surprising that some advertisers have held back. Urgency can be a cure for hesitation. So can reliable data. Nielsen's rating data shows important differences between linear-only and streaming-enabled homes delivery. And ACR data from Samsung Smart TVs illustrates opportunities within the AVOD ecosystem. The Rule of 40 is an attempt to simplify the complexity of the decisions facing many advertisers and to help guide decision-making.

## Key Takeaways



A primarily linear plan will over-frequency linear-only audiences by close to 2x and miss 81% of the “mostly streamer” opportunity.



A “Rule of 40” for AVOD allocation emerges for most categories—that is, 40% of the TV budget should be applied to AVOD to achieve parity of media delivery between linear-only and streaming-enabled homes.



AVOD options associated with broadcast and cable outlets are limited to 37% of audience time spent—advertisers must branch out.



Audience behaviors are nuanced but can be solved with holistic/single-source data covering linear and streaming behaviors.



## Glossary

<b>AVOD</b>	Ad-supported streaming content – specifically Advertising-Based Video on Demand
<b>AVOD options linked to Broadcast &amp; Cable media</b>	These are AVOD apps owned by broadcast and cable media outlets. This would include Hulu, Paramount+, Tubi and others.
<b>Broadcast &amp; Cable Apps</b>	These AVOD apps are extensions of the Broadcast and Cable networks. This category would include CBS News, ABC, CNNgo and others.
<b>CPM</b>	Cost-per-thousand impressions – used in determining price of an ad buy.
<b>F.A.S.T.</b>	Free Ad-Supported TV service. This would include Samsung TV Plus, XUMO, Plex and others.
<b>GRP</b>	Gross rating point. Traditional measure of TV ad delivery based on reach and frequency.
<b>HVA</b>	High Value Audience or custom segments created by an advertiser.
<b>Linear-Only Home Delivery Index</b>	Impression delivery to linear-only homes when compared to the campaign goal.
<b>Linear-Only Homes</b>	Homes not enabled with Smart TV and/or internet-connected device and/or internet connected gaming console. Include over-the-air broadcast only and cable/satellite-subscribed homes. As defined by Nielsen.
<b>Mostly Linear Audience</b>	Comprises heavy linear viewership, defined as the top tercile of TVs that view linear within Samsung Smart TVs in Q1 2021.
<b>Mostly Streaming Audience</b>	Comprises medium, light, and non-linear viewership. Medium and light viewing are defined by the bottom two terciles of TVs that view linear within Samsung Smart TVs in Q1 2021. Non-linear TVs are those that did not tune to any linear content in Q1 2021. Based on Samsung proprietary ACR data, U.S. Only, A18-44, Q1 2021.
<b>Optimal AVOD Percentage</b>	% of AVOD allocation that allows streaming-enabled homes to reach delivery parity with campaign goal.
<b>The Rule of 40</b>	The point at which (40% allocation to AVOD) most advertisers will achieve balance in their delivery to streaming and non-streaming homes.

## Glossary

**Streaming-Enabled Homes**

Home is enabled with Smart TV and/or an internet-connected device like an Amazon Fire Stick or Apple TV and/or internet-connected gaming console as defined by Nielsen (“TV Connected Device Homes”).

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**Streaming-Enabled Home Delivery Index**

Impression delivery to streaming-enabled homes when compared to the campaign goal.

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**Social Video**

These are AVOD apps tied to social networks. This category would include Facebook, TwitchTV and others.

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**Streaming Music**

These are AVOD apps tied to music networks. This category would include Spotify, Pandora, Vevo and others.

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**Streaming Network**

These are AVOD apps that include a variety of streaming content. This category would include Vimeo, Cheddar, Crackle and others.

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**SVOD**

Subscription-based streaming content.

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**vMVPD**

These are AVOD apps tied to multichannel video programming distributors. This category would include Sling TV, ATT TV, Spectrum TV and others.

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## About Samsung Ads

Samsung Ads is an advertising ecosystem, spanning hundreds of millions of devices across Smart TV, mobile, and desktop—at every connected moment in the Samsung household. Advertisers can achieve reach, scale, and precision across their entire media spend. With premium brand-safe inventory, fueled by exclusive Samsung data and insights, advertisers gain unmatched power to engage consumers as they discover new content, products, and experiences.

Samsung Ads. Life Runs Through Us.

