



Extending the Reach of HbbTV TA to Set-top Box Markets Motivation and Target Markets

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RTL Deutschland

Business profile

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Business Unit of the RTL Group

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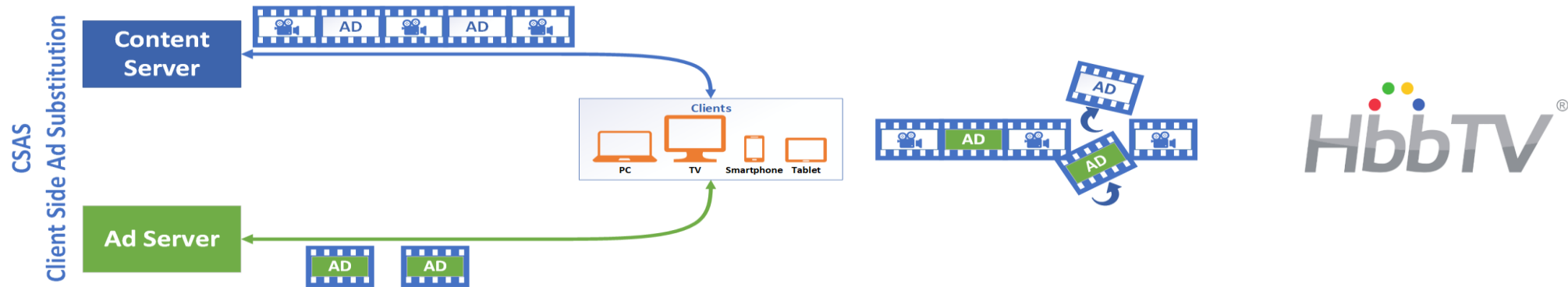
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RTL Deutschland is headquartered in Cologne and has
4,000 employees at 24 locations in Germany and
worldwide



Securing classical TV advertising while building a sustainable business model for Addressable TV

- Addressable TV is one of the defining topics of the future for RTL Deutschland
- Open standards are an important foundation for implementing addressable TV



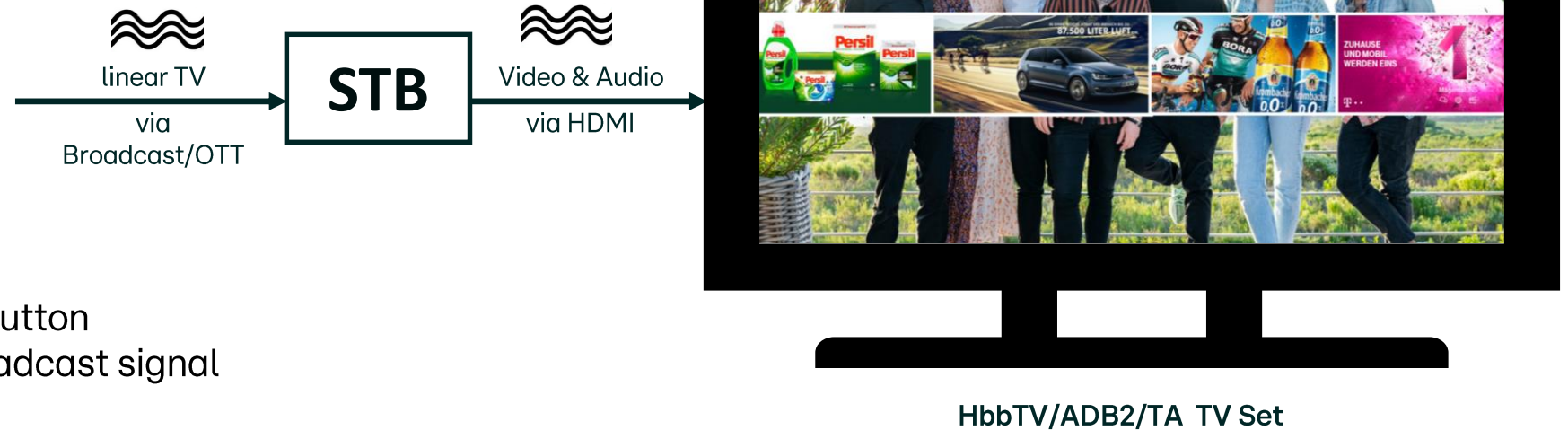
Dynamic Ad Substitution (DAS); CSAS

- **Dynamic Ad Substitution on linear RTL channels on the basis of HbbTV 1.5 technology is “On Air” since 2019**
 - **“Target Spot”**
 - **“Target Break”**
- **HbbTV-Targeted Advertising (TA) will enable a new level of addressable TV implementation, where, during commercial breaks, linear content can be precisely switched to addressable content via broadband internet.**
 - **RTL Deutschland is working with TV set manufacturers to drive the rollout of HbbTV-TA in Germany.**
 - **First HbbTV-TA TV Sets are available (TP Vision / Philips and others).**
 - **First DAS with targeted ads on the basis of HbbTV-TA planned for early 2022.**
- **To expand the HbbTV reach RTL and other Broadcasters are also aiming to access the HbbTV Specification ADB2 including the recently published TA extension.**

Addressable TV

ADB2 + TA enables “standard” HbbTV applications as well as Dynamic Ad Substitution in situations where the broadcast TV signal is received by a set-top box (STB) and passed to the HbbTV TV set via a connection such as HDMI.

In this case, the signalization is realised by the use of watermarks in audio/video.



Examples of Usage scenarios:

- Autostart application / Red Button
- Launchbar in front of the broadcast signal
- Digitaltext
- Switch-In banner
- Replacing (non-) adjacent spots in an ad break
- Replacing broadcast by regional video

Analysing the Market Potential of ADB2 / TA

ADB2 Target markets: TV HH, where a non-DAS-capable set-top box is used.

01 Horizontal market STBs:

- STBs that can be bought in stores off-the-shelf
- available for direct-to-home (DTH) satellite reception, digital terrestrial TV (DTT), DVB-C/C2 cable viewers
- Some STBs support HbbTV, some manufactures may implement HbbTV + TA in the future
- However, a large number of TV HHs remain equipped with horizontal market STBs (e.g. legacy STBs or STBs designed for the low-end market) that won't support HbbTV (-TA)

Analysing the Market Potential of ADB2 / TA

02 Vertical market, Operator-specific STBs (OSTBs):

- provided by IPTV, cable and also DTH platform operators to their customers
- Typically, OSTBs do not support HbbTV
- OSTBs have minimum lifecycles that have been defined before they were shipped
- IPTV and cable platform operators have shipped different generations of OSTBs over the years, established population of receiving devices is inhomogeneous with respect to their technical performance capabilities
- It can be assumed that new/future generations of OSTBs will already be capable of DAS or may potentially be DAS-enabled by a software update, but this may not always hold true for older OSTB generations
- The roll-out of new OSTB models may require a premium upsell or contract extensions from a customer's point of view, which will also delay the process
- This is in contrast to a Broadcasters goal to achieve maximum reach and short time-to-market for TA

Analysing the Market Potential of ADB2 / TA

The German TV market:

No. of TV households: 38,520 million

Shares of transmission platforms:

Terrestrial: 6,3%

Satellite: 44,1%

Cable: 43,6%

IPTV: 10,6%

Connected TV only: 2,9%

ADB2 + TA is of high relevance for the German market, due to stable numbers of Cable HH and increasing numbers of IPTV HH (with legacy/ non-DAS-capable set-top boxes)

Source: Kantar Digitalisierungsbericht 2020 (Germany)



Analysing the Market Potential of ADB2 / TA

Simplified estimation for a ADB2 / TA market potential, e.g. in Germany:

Assumptions, e.g.

- Platform operators have not yet enabled DAS on their latest STB models
- Legacy devices may have to be replaced by new STB models, This will not happen in the short/mid-term, From customer's point of view a roll-out requires premium upsell or contract extension
- In Germany 6,5 to 7,0 million IDTVs are sold each year (2020: 6,839 Mio., 92% Smart TVs**)
- The share of Cable households, where viewers do not use an OSTB is expected to be 50 %.
- Connectivity rate in Germany = 74%*
- Estimated 5% share of SAT HH using a STB
- BC and CEMs are aiming for maximum reach and short-time-to-market for ADB2 / TA
- TV sets will be replaced before new STB models will be distributed

Conclusions:

- **Estimated market potential calculation of watermarking: $\approx 28\%$ (i.e. more than 10 million TV HH)**
- Note: Not considered in the simplified estimation: 1) OTT streaming sticks are not yet covered and may increase the potential
2) shares of HbbTV-ADB2/TA TV-Sets, 3) forecast over several years following

Sources: *Kantar Digitalisierungsbericht 2020 (Germany), **GFK Report 2020

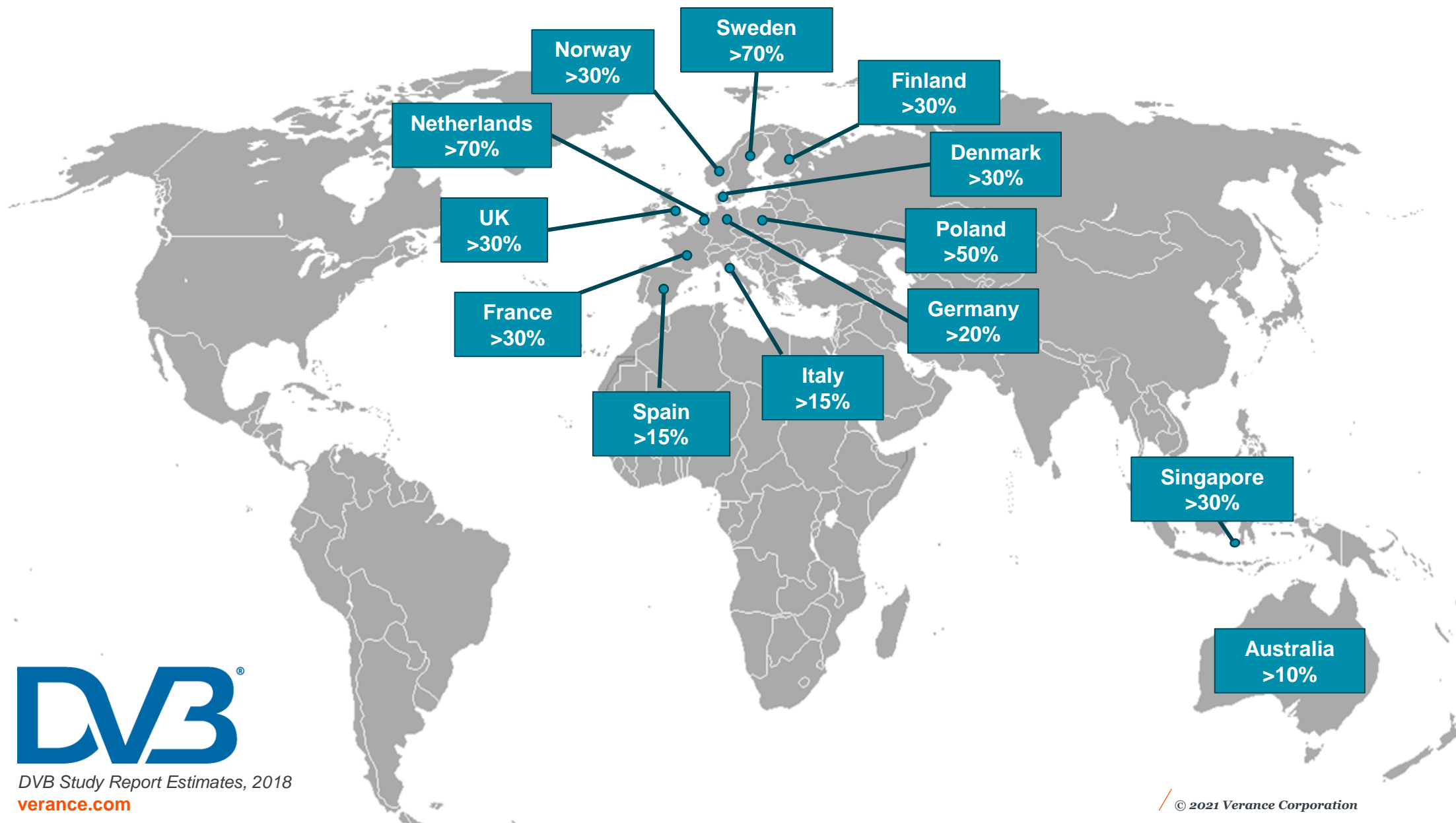
Analysing the Market Potential of ADB2 / TA

Especially markets with a high and increasing IPTV and Cable penetration will benefit more from watermarking / ADB2.

Shares of transmission platforms "Cable" & "IPTV" in other European countries, e.g.:

- France:
Cable: 6,0 %
IPTV: 50,4 %
- Norway:
Cable: 26,2 %
IPTV: 20,2 %
- UK:
Cable: 13,8 %
IPTV: 8,8 %
- Denmark:
Cable: 42,3 %
IPTV: 17,3 %
- Switzerland:
Cable: 43,5 %
IPTV: 46,6 %
- Poland:
Cable: 22,8 %
IPTV: 5,8 %
- Finland:
Cable: 66,9 %
IPTV: 14,2 %
- Spain:
Cable: 7,1 %
IPTV: 24,8 %
- Schweden:
Cable: 16,2 %
IPTV: 26,5 %

Many Viewers are Reachable Only with Watermarking



DVB Study Report Estimates, 2018

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Analysing the Market Potential of ADB2 / TA

Summery:

- Broadcasters are generally interested in expanding their HbbTV and TA reach
- Maximum reach for HbbTV and TA can only be achieved if there are no technical barriers and if cross-platform campaigns become possible
- A lot of markets with high and increasing IPTV and Cable penetrations will benefit from watermarking signalization when trying to achieve a short time to market
- Further market potential: DTH OSTBs and other HDMI devices, eg. OTT streaming sticks.
- **The ADB2/TA potential for Europe is expected to be highly significant.**
- **The TA market can only be developed in the short-/mid-term with ADB2+TA capable devices**

Thank You

RTL Deutschland | October 2021

