An Overview of Online Video Advertising

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Agenda

● Industry Overview
● Formats & Metrics
● Industry Challenges and Trends
History

- Started in early 2000s
  - Windows Media Player, Yahoo Launch, MSNBC sold test programs to advertisers
  - CPMs close to TV-CPM range, limited inventory, subscription model; now contract model

- Accelerated growth since 2005
  - Content explosion (premium and user-generated)
  - Emotional TV draw, high-speed internet adoption, video compression

Source: IAB Digital Video Platform Status Report
Major Enabling Events

- Media agencies Starcom and MediaVest brought onboard major clients
  - P&G, McDonald's, Kellogg's, Coca-Cola
- Sale of YouTube to Google in 2006
- Traditional TV marketers became aware of cross-benefits
  - Video sight, sound, motion + detailed analytics capability

Source: IAB Digital Video Platform Status Report
Size and Trends (US)

"Virtuous circle of content and technology adoption make video ads by far the fastest-rising category of online spending" - eMarketer

- Compound annual growth rate of 38% with a size of $7.11 billion in 2015, up from $2.16 billion in 2011
- Advertisers shifting spend away from banner ads to fund increased video advertising spend
- Re-org within display budget and not out of the TV ad budget

**US Online Ad Spending Growth, by Format, 2010-2015**

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</thead>
<tbody>
<tr>
<td>Video</td>
<td>39.6%</td>
<td>52.1%</td>
<td>43.1%</td>
<td>35.9%</td>
<td>34.3%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Sponsorships</td>
<td>87.5%</td>
<td>26.4%</td>
<td>16.0%</td>
<td>12.3%</td>
<td>11.6%</td>
<td>11.0%</td>
</tr>
<tr>
<td>Banner ads</td>
<td>23.1%</td>
<td>22.1%</td>
<td>17.6%</td>
<td>11.0%</td>
<td>10.4%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Search</td>
<td>12.2%</td>
<td>19.8%</td>
<td>18.4%</td>
<td>10.7%</td>
<td>7.1%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Classifieds and directors</td>
<td>15.2%</td>
<td>15.7%</td>
<td>11.4%</td>
<td>9.0%</td>
<td>8.9%</td>
<td>7.8%</td>
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<tr>
<td>Rich media</td>
<td>2.2%</td>
<td>7.9%</td>
<td>4.3%</td>
<td>0.8%</td>
<td>-0.8%</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Lead generation</td>
<td>-7.7%</td>
<td>6.1%</td>
<td>1.8%</td>
<td>1.7%</td>
<td>2.1%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Email</td>
<td>-33.2%</td>
<td>-16.5%</td>
<td>-0.5%</td>
<td>3.3%</td>
<td>3.4%</td>
<td>3.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14.9%</strong></td>
<td><strong>20.2%</strong></td>
<td><strong>17.6%</strong></td>
<td><strong>12.0%</strong></td>
<td><strong>10.4%</strong></td>
<td><strong>8.8%</strong></td>
</tr>
</tbody>
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*Note: eMarketer benchmarks its US online ad spending projections against the IAB/PwC data, for which the last full year measured was 2010*

*Source: eMarketer, June 2011*
Value Chain

Source: http://www.slideshare.net/gregstuart/digital-advertising-ecosystem-2010
Ad Formats: Linear In-Stream
Ad Formats: Non-Linear In-Stream

- Generally in bottom 20% of video player, click can lead to video spot or landing page
Ad Formats: In-Banner

- Some expand based on user click or hover, or auto-expand upon page load
Video Ad Metrics

- Combined with targeting, analytics (based on metrics) are a key motivator for computational video advertising.

- Format dependent, and are evolving with technology.

- Linear In-Stream:
  - Video click-through, time spent viewing, percent complete.

- Non-Linear In-Stream:
  - Click through, accept invitation, minimize, close, overlay duration.

- In-banner ...?

Source: http://www.iab.net/media/file/DV_In-Stream_Metrics_Definitions.pdf
Primary Industry Challenge: Formats & Protocols To Serve Ads

- Dark Ages (2004-2008) no standardized way to deliver an ad to a player (i.e., XML differed across players)

- 2009 IAB introduced VAST and VPAID protocols
  - VAST = XML tags
  - VPAID = Player API

- Results:
  - Better measurement
  - Larger base of potential ads to serve

VAST and VPAID a Step Forward, but Still Work to Do...

- Widespread, but not universal adoption:
  - According to an IAB survey of its membership, 67% of publishers and 92% of technology vendors were VAST compliant as of Fall, 2010

- VAST and VPAID are protocols, not standards
  - Varying ways of utilizing them in production environments e.g., 3 ways to implement a pre-roll

New Engagement Models: Choose Your Own Ad-Venture

- Unaided Recall of the brand went from 30% to 58% (+93%)
- Purchase Intent went from 23% to 31% (+35%)
- Stated Relevancy went from 15% to 22% (+46%)

Source: http://blog.hulu.com/2011/10/03/hulu-ad-swap-research-results/
Conclusion

- Highest projected growth rate of any advertising format
  CAGR of 38%

- Value chain in video is similar to that of display
  ○ Advertisers, Agencies, Exchanges, Networks, Publishers

- Three primary formats:
  ○ Linear in-stream, Non-linear in-stream, In-Banner
  ○ Metrics: CTR, time spent, percent complete

- Further format and protocol standardization will be critical for sustained industry growth

- New engagement models, such as choose your own-ads will continue to shape the user experience in this relatively new format
Thank you!