



# **Russian Digital Video Ad Market Overview 2015**

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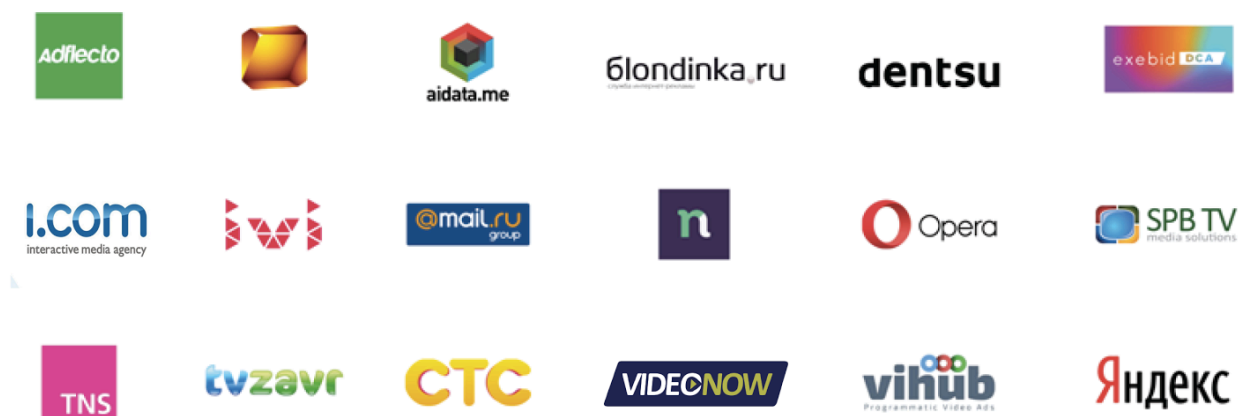
## About This Document

“Russian Digital Video Ad Market Overview – 2015” covers main recent events and trends in the area of online video advertising in Russia and abroad. This review will be useful for the entire advertising vertical, from advertisers, agencies, sales houses to ad networks, tech companies and media publishers.

For this overview we used data from open sources: foreign and Russian researches and surveys, media materials, as well as comments and opinions of the Russian market participants.

We would like to thank the following IAB Russia Digital Video Committee experts for participating in the research, as well as representatives of companies that are non-members of the Committee: Alexey Belyaev (Mail.ru Group), Evgeniy Batyashin (Amberdata), Anton Beschekov (NATIVEROLL.TV), Yulia Goldfain (TNS Russia), Anastasia Zhavoronkova (TVzavr), Natalia Kalaytanova (Exebid.DCA), Dmitriy Karmanov (CTC), Alexey Korsakov (Dentsu), Tatiana Kostenkova (Блондинка.Ру), Maxim Krasovsky (Advark), Ilya Lagutin (Aidata.me), Alexander Levshin (Adflecto), Ilya Mikin (ViHub), Dmitriy Pashutin (Ivi), Elena Pikunova (Opera), Irina Skripnikova (Yandex), Sergey Soloviev (Videonow), Yuri Solopov (iCom), Dmitriy Filippov SPB TV).

In order to complete the picture of online video ad market in Russia, highlight main ecosystem elements and determine the underlying trends we have interviewed leading Russian market players. We express gratitude to the following companies that agreed to participate in our survey, shared the information and views on the video ad market in Russia:

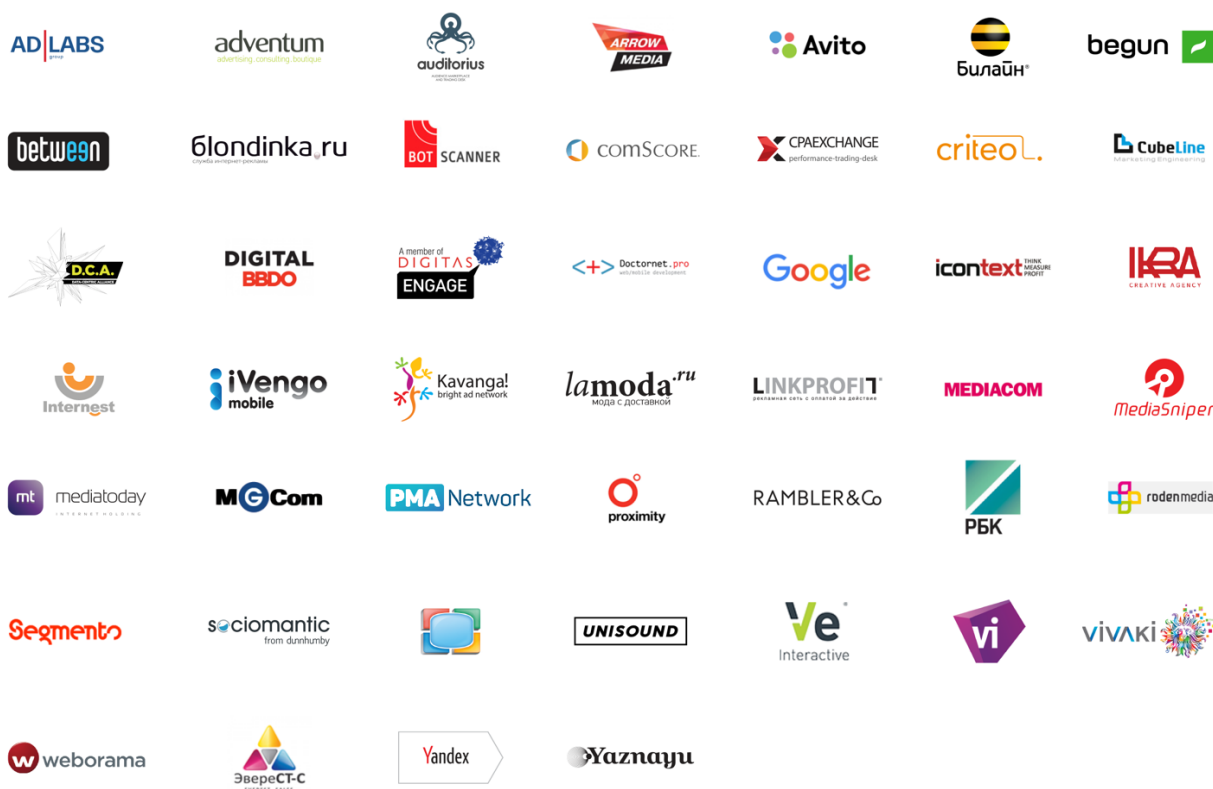


## Ordering Parties of the Research

This overview was prepared on the initiative of the IAB Russia Digital Video Committee, backed by the General Meeting decision of the IAB Russia members on November 19, 2015.

Special contribution was made by the Chairman of the IAB Russia Research Committee Alexey Belyaev (Mail.ru Group), co-heads of the Digital Video Committee Maxim Zenin (Mail.ru Group) and Dmitriy Karmanov (CTC), President of IAB Russia Boris Omelnitskiy (Yandex).

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## Definitions

Partly the definitions are cited from IAB 2016 Digital Video Advertising Glossary. URL: <http://dvglossary.www2.iab.com/>

**Digital Video Advertising** – ad videos that can appear in streaming content or inside editorial content, banner placement or social newsfeed.

**Connected TV** – A television set that is connected to the Internet via OTT devices, Blu-ray players and gaming consoles or has built-in Internet capabilities (i.e., a Smart Television) and is able to access a variety of long-form and short-form web-based content.

**Long-Form Video** – Video content that always has a content arc with a beginning, middle, and end and that, in its entirety typically lasts longer than 10 minutes (i.e., movies and original series). If the content is ad supported, it typically contains breaks (mid-roll). This is different than commercial videos, which typically put the product upfront and run under one minute.

**Multi-Channel Network** – A standalone entity that leverages digital video platforms to enable content producers to program, promote, monetize, and distribute their content as well as offer technical assistance in exchange for a percentage of the ad revenue earned.

**Online Cinema** – legal internet service, that streams professional video content on demand either on ad-supported model or on a subscription / transactional basis.

**Short-Form Video** – Video content that has a duration of less than 10 minutes.

**Video On Demand** – Video content that is controlled, enabled, and consumed whenever a viewer wants after its official release date or original air date and time. VOD content can be found on set top boxes, OTT devices, mobile web, mobile apps, and video streaming services.

### Video Ad Formats and Types

**In-Stream Video Ad** – advertising that is played before, during or after the streaming video content that the consumer has requested (Pre-roll, Mid-roll, Post-roll or All-roll/Multi-roll if the exact position of placement remains on publisher's discretion). These ads cannot typically be stopped from being played (particularly with pre-roll). Another option is This format is frequently used to monetize the video content that the publisher is delivering. In-Stream Video Ads can be played inside short or long-form video and rely on video content for their delivery.

**Out-stream Video Ad** – ad video that is placed outside streaming content, be it inside banner placement (in-banner) or between paragraphs of editorial content (in-article or in-read).

**Autoplay Video Ad** – A video ad or an ad linked with video content that initiates “play” without user interaction or without an explicit action to start the video (essentially automatically starting without a “play” button being clicked by the user).

**In-Article Video** – A video ad that loads and plays dynamically between paragraphs of editorial content, existing as a standalone branded message.

**In-Banner Video** – A video clip that exists within a web banner that leverages the banner space to deliver a video experience as opposed to another static or rich media format. The format relies on the existence of display ad inventory on the page for its delivery.

**In-Feed Video** – A native video ad found in content, social or product feeds, often paired with a headline, description, and logo.

**Interactive Video** – A type of digital video creative that can take user input to perform some enhanced actions through elements integrated above and beyond the standard video playback controls (i.e., play, pause, rewind, and mute). These interactions can include varied calls-to-actions, forms, polls/surveys, links, chapter menus and hot-spots that may affect story progression of the video content and/or drill down on specific parts of the content itself. The goal of the creative is to give the user various options to engage with the message beyond viewing the video.

**Native Advertising** – A form of paid media where the ad experience follows the natural form and function of the user experience in which it is placed. These paid ads aspire to be so cohesive with the page content, assimilated into the design, and consistent with the platform behavior that the viewer simply feels that they belong.

**Native Video Ad** - A promoted video within one of the six IAB native core ads (i.e., in-feed unit, paid search unit, recommendation widget, promoted listing, in-ad (IAB standard) with native elements, or custom/can't be contained). The video includes a headline, description and context for the ad.

**Video Ad Serving Template (VAST)** – A framework for serving ads to a video player. The specification also describes expected player behavior for executing ads that are supplied using VAST. The interaction between the ad and the player is unidirectional, meaning that once the player receives the VAST tag no other interactions are possible except for the activation of select tracking beacons at appropriate times during ad playback.

**Video Player-Ad Interface Definition (VPAID)** – The protocol between the ad and the video player required to enable ad interactivity and other advanced video advertising functionality. VPAID offers bilateral (two-way) communication between the ad and the video player, and meets the needs of emerging in-stream formats such as nonlinear video ads and interactive linear video ads.

## Metrics and Measurements

**Brand Safety** –practices and tools allowing to ensure that an ad will not appear in a context that can damage the advertiser's brand.

**Cost Per Completed View** – The price an advertiser pays every time a video ad runs through to completion. Rather than paying for all impressions, some of which may have been stopped before completion, an advertiser only pays for ads that finished ( $CPCV = \text{Cost} \div \text{Completed Views}$ ).

**Cross-Screen Measurement** – Tracking and measurement of video metrics across Mobile/Tablet/Out-of-Home/Television/Advanced TV/Desktop.

**Video Ad Completion Rate** – The percentage of all video ads that play through their entire duration to completion. Also known as View Through Rate (VTR) and Video Completion Rate (VCR).

**Viewable Ad Impression** – a served ad impression can be classified as a viewable impression if the ad was contained in the viewable space of the browser window, on an in-focus browser tab, based on pre-established criteria such as the percent of ad pixels within the viewable space and the length of time the ad is in the viewable space of the browser. It is recognized that an “opportunity to see” the ad exists with a viewable ad impression, which may or may not be the case with a served ad impression.

### **The Point of View On the Market**

**Sell-side** - money received by the publishers as a result of the video inventory sale directly or with the usage of ad networks, sales houses and programmatic mechanisms. Sales houses’ fee is included into ad revenue estimates. This point of view complies with RACA methodology.

## Executive Summary

- Throughout the world online video is considered to be the most perspective sub-segment of display advertising. It is showing the fastest growth, especially when it comes to video ads on mobile devices.
- For the full year 2015 video ad market in Russia is estimated by surveyed experts to reach approximately RUB 5.6-5.8 billion. According to RACA (Russian Association of Communication Agencies) estimates on the whole Russian ad market volume, it accounts for 32% of display advertising and 6% of all digital ad segment.
- Video ad market size in Russia continues to grow, though at a slower pace comparing to 2014 and 2013, when the segment was in a formation stage. Nonetheless it is still too early to talk about reaching the limits – expert think the market to grow 10% further in 2016.
- Within video ad market the lion's share (about 90%) accounts for in-stream and this format feels very stable. The rest 10% are represented by out-stream in its different forms, be it ad video inside a banner position (in-banner) or ad video interrupting a text article (in-read). This format is considered to be one of the latest trends in display ad development and is forecasted to grow more actively, as there is a bigger inventory supply comparing to in-stream.
- Among the main factors directly influencing on video ad segment we can name continued growth of non-desktop video consumption (on mobile devices and connected TVs).
- Technologies keep playing an important role in display ad development and video segment in particular. These are the following: programmatic ad buying, data-enriched auctions, tracking the impressions that can actually be seen by users (viewability).
- Indirect effect on in-stream segment is made by anti-piracy activity (actions aimed at reducing pirated content consumption), that is: trials and closedowns of illegal video portals and torrent-trackers; marketing activity of online cinemas; narrowing digital windows between movie's cinematic and online releases; growth of legal content supply both in quantity and quality.
- Another consequence of online cinemas development is that within their revenues paid business model (be it subscription, rental or transactions – buys) is increasing its share. However, the growth of paid model occurs not at the expense of the decreasing ad revenues, but because of the faster dynamics of SVOD/TVOD. Ad revenues of online cinemas do show upward trend at least as good as video ad segment on the whole.
- Among the barriers that restrain the segment from growing we can name the following factors: general worsening of Russian economic situation that affects both ad market and its segments; continued problems with independent audience measurements outside desktop.
- Main events for Russian video ad market in 2015 are launch of video ad products in social networks (ad videos in Instagram, autoplay videos in “Odnoklassniki”);



substitution of TV ad videos in online TV broadcasting with specific placements; further development of video products by main Russian portals.

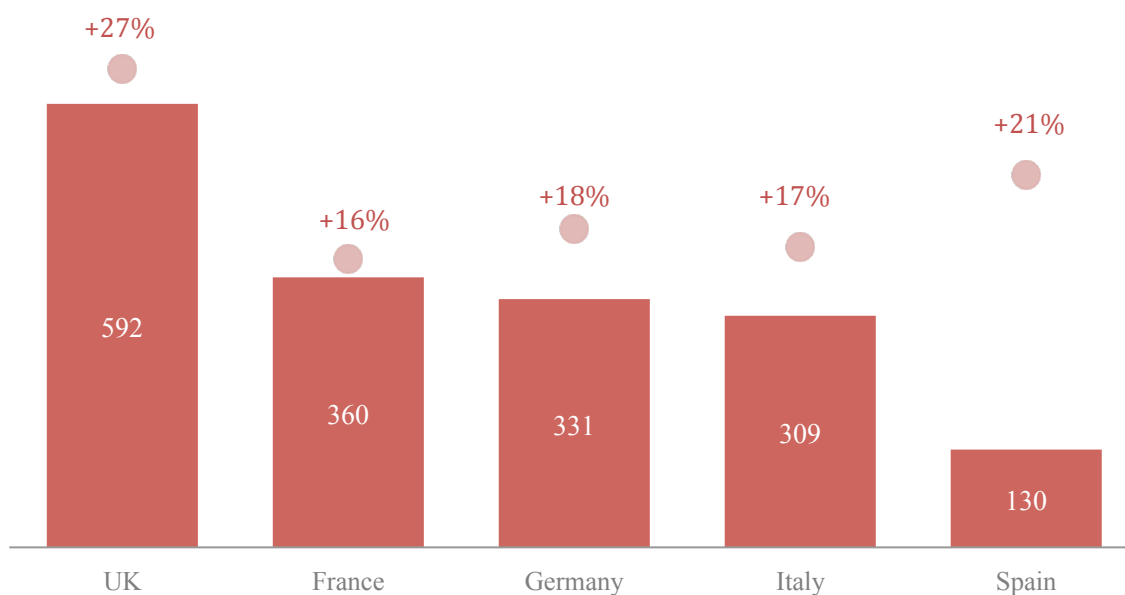
## Global Market

Throughout the world online video is considered to be the most perspective sub-segment of display advertising. It is showing the fastest growth, especially when it comes to video ads on mobile devices.

US spending on online video in 2015, according to preliminary estimates by eMarketer<sup>1</sup>, totaled \$7.46 billion, which is 42% up from 2014. Out of this amount every third dollar was spent on mobile advertising (81% year-on-year), every fifth – on YouTube (39% year-on-year). In 2015 video showed better dynamics than “display umbrella” and digital ad spending in general (growth 2015 vs. 2014 is 26% and 15%, respectively).

Among the five largest European markets (EU-5) online video ad growth in 2015 was estimated by IHS and SpotX in the range of 16% (France) up to 27% (the UK). Great Britain also leads by the amount of money in this segment – EUR 592 million for the full 2015.

*Video Ad Market Size and Growth in EU-5 (2015, EUR million)<sup>2</sup>*



Video ad market in China, according to Analysys International Enfodesk<sup>3</sup>, was 43% up in 2015 comparing to the previous year and reached RMB 24.3 billion. That is estimated by eMarketer<sup>4</sup> to account for one fourth of all display ad spend in the country. Inside video segment 47% is

<sup>1</sup> eMarketer, September 2015. Includes all ad formats (in-stream, in-banner, in-text) that appear on desktop and laptop computers, as well as smartphones, tablets and other connected devices. URL: <http://www.emarketer.com/Article.aspx?R=1013442>. IAB 2015 Full Year Results will be published only by the end of April 2016.

<sup>2</sup> IHS Technology and SpotX, Video Advertising in Europe: The Road to Programmatic Ubiquity, September 2015. The study focuses on media owners' revenue from programmatic video advertising and sizes national markets by net income after costs and fees. URL: <https://www.SpotX.com/wp-content/uploads/SpotXIHSVideoAdvertisingInEuropeTheRoadToProgrammaticUbiquity.pdf>

<sup>3</sup> Analysys International Enfodesk, “2016-2018 China Digital Video Market Trends Forecast”, January 2016. URL: <http://www.emarketer.com/Article/Digital-Video-Ad-Spending-Makes-Solid-Gains-China/1013516>

<sup>4</sup> Digital Video Ad Spending Makes Solid Gains in China. / eMarketer, January 2016. URL: <http://www.emarketer.com/Article/Digital-Video-Ad-Spending-Makes-Solid-Gains-China/1013516>

generated by mobile video formats – they grow more quickly than digital video ad spending overall (115% year-over-year).

## Events

### Investments and Acquisitions

Perhaps the most notable deal affecting digital video market was the acquisition of one of the oldest online companies – AOL – by the telecom giant Verizon (May 2015, \$4.4 billion). Among the main Verizon's benefits analytics name a chance to cash in on a growing digital content market (where AOL is very strong) and mobile video ad development (AOL owns several ad management platforms including Adap.tv which it acquired in 2013).

It is worth noting that soon after the merger AOL introduced<sup>5</sup> first-ever “premium” video ad formats (both in-stream and out-stream) with many interactive features and the “branded skip” option (popularized by YouTube, but includes a polling or “branding” feature that allows advertisers to collect some information from users before they skip to the content). And last fall AOL<sup>6</sup> acquired mobile ad network Millennial Media for \$238 million and added it to its ad tech platform ONE by AOL.

Verizon's rival – Comcast – also strengthened<sup>7</sup> its positions on video ad tech market by acquiring This Technology. It specializes in dynamic ad insertion technology and has an IP video back office platform. This is the second Comcast acquisition in the field of ad tech in 2015 (in June it bought Visible World, which delivers targeted ads to specific audiences based upon zip codes and data from users' set-top boxes).

Outside the US Chinese holding Alibaba increased<sup>8</sup> its stake in Chinese online video giant Youku Tudou from 16.5% to 100% (the price tag is about \$3.67 billion).

Among other events on M&A market we'd like to point out YouTube multi-channel networks (MCN): activity in this segment is not as high as in 2014 (when Disney acquired Maker Studios for \$950 million and Otter Media bought FullScreen for \$300 million), but it is still tangible.

In July 2015 German media company ProSiebenSat.1 acquired 75% of Collective Digital Studio for \$83 million – this company manages nearly 900 YouTube channels and produces original long-form content, including web series, TV shows and even movies. Further plans are to merge CDS with its Studio71 MCN and to expand to European markets, the US and other English-speaking territories.

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<sup>5</sup> AOL embraces the skippable video ad. / Digiday, July 2015. URL: <http://digiday.com/platforms/aol-embraces-skippable-video-ad-rolling-first-premium-formats/>

<sup>6</sup> AOL Confirms It Is Buying Millennial Media In \$238M Deal To Expand In Mobile Ads. / TechCrunch, September 2015. URL: <http://techcrunch.com/2015/09/03/aol-acquires-millennial-media/>

<sup>7</sup> Comcast buys ad insertion and IP video platform firm This Technology. / FierceCable, August 2015. URL: <http://www.fiercecable.com/story/comcast-buys-ad-insertion-and-ip-video-platform-firm-technology/2015-08-18>

<sup>8</sup> China's Alibaba to Fully Acquire Online Video Giant Youku Tudou. / Hollywood Reporter, November 2015. URL: <http://www.hollywoodreporter.com/news/alibaba-fully-acquire-youku-tudou-837667>

Also in July Swedish entertainment giant Modern Times Group acquired<sup>9</sup> 51% of Dutch online-video platform Zoomin.TV, which is the fifth largest MCN in the world with 100 million YouTube subscribers, content production and advertising sales house.

Further last summer British broadcaster ITV bought<sup>10</sup> a minority stake in MCN Channel Mum – YouTube network targeting mothers. Financial terms of the deal were not disclosed, but the deal likely did not cost much, what important is the first ITV's move into MCN business.

According to Ampere Research<sup>11</sup> estimates, the average MCN is worth \$0.1 per monthly view. Thus, an MCN with 1 billion monthly views will be worth \$100 million, and there are minimum 20 MCNs now worth at least this much.

### Better Content Quality and New Formats Emergence

In 2015 much was announced and done for the improvement of video picture quality and technical capabilities of video. TV set vendors, having already accepting HD as a new norm, moved towards 4K Ultra HD (the resolution provided is 4 times better than 1080p HD) and began experimenting with HDR (better picture quality, greater range of brightness and luminosity). Meanwhile VR headsets vendors substitute with their technologies 3D, that still hasn't become popular, the “simplest” of these is 360-degree video. Content players follow tech vendors and adopt these innovations: YouTube, Netflix and Amazon have created and expanded their 4K-catalogues, first UHD-channels have been launched in linear TV segment (sport channels were in the first place – the same principle as with HD).

Then these technologies penetrate the advertising world. One of the video ad pioneers in the US, Facebook, in September 2015 rolled out 360-degree videos in News Feed. Almost immediately after that the first promos appeared, for instance, “Star Wars: The Force Awakening”, and shortly<sup>12</sup> after – first fully commercial videos from Anheuser-Busch InBev, AT&T, Mondelez, Samsung, Nestle and others. This innovation precedes the launch of Oculus Rift VR headset by Facebook in the beginning of 2016.

And if to touch the subject of innovations in traditional formats, Bing and Google should be mentioned as in summer of 2015 they began<sup>13</sup> testing video ads within search results. Analysts noted that Google might have joined this game a bit too late, but having YouTube in its portfolio will allow it to pull ahead of its competitors fairly quickly.

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<sup>9</sup>MTG buys into MCN Zoomin.tv. / Broadband TV News, July 2015. URL:

<http://www.broadbandtvnews.com/2015/07/20/mtg-buys-into-mcn-zoomin-tv/>

<sup>10</sup>ITV Acquires Minority Stake in MCN Channel Mum. / Hollywood Reporter, August 2015. URL:

<http://www.hollywoodreporter.com/news/itv-acquires-channel-mum-stake-814436>

<sup>11</sup>The YouTube MCN acquisition spree may be nearly over, but \$10B market still has opportunities, analyst says. / FierceCable, July 2015. URL: <http://www.fiercecable.com/story/youtube-mcn-acquisition-sprees-may-be-nearly-over-10b-market-still-has-oppor/2015-07-08>

<sup>12</sup>See the First 360-Degree Video Ads on Facebook. / AdAge, November 2015. URL:

<http://adage.com/article/digital/360-degree-video-ads-facebook/301314/>

<sup>13</sup>Google Tests Video Ads Within Search Results. / Search Engine Watch, August 2015. URL:

<http://searchenginewatch.com/sew/news/2422912/google-tests-video-ads-within-search-results>

## Paid Models Strengthening

During fall 2015 in the US several major video players began implementing ad-free models. Thus, YouTube launched YouTube Red for \$10 per month and Hulu launched an alternative version of its subscription that is mostly commercials-free with some prominent exceptions from ABC and Fox, where pre-rolls will remain even for \$12 per month.

Implementation of the paid model allows to unload the ad clutter (that was mainly created because of the high cost of popular content rights) and to give a user choice. Too many ads during the video is one of the most common reasons why people abandon watching videos – it was named by 62% of respondents in Limelight Networks<sup>14</sup> survey. 27% of internet users would abandon the video if there was an unskippable ad before it. And 16% said they would abandon any videos with ads running first (even the skippable ones). However, it would be fair to note that the most common reason for abandoning digital videos is connected not with the advertising but with the poor playback quality (66%). Frequent pauses and buffering also irritate majority of the respondents (51%). And exactly these two aspects were named as the most frustrating ones. In general, 92% of respondents are okay with advertising if it prevents them from having to pay for content, 82% are okay with it as long as they are interested in it.

## Trends

### Growth of Advertising in Mobile Video

The following trend can hardly be named as a new tendency of 2015 or 2014, as it has emerged before, but it still proves to be topical for several years in a row.

Since video is a part of display ad segment, it functions under one of the main market principles: the advertiser follows the audience. And in its turn the audience is watching video on mobile devices more and more actively.

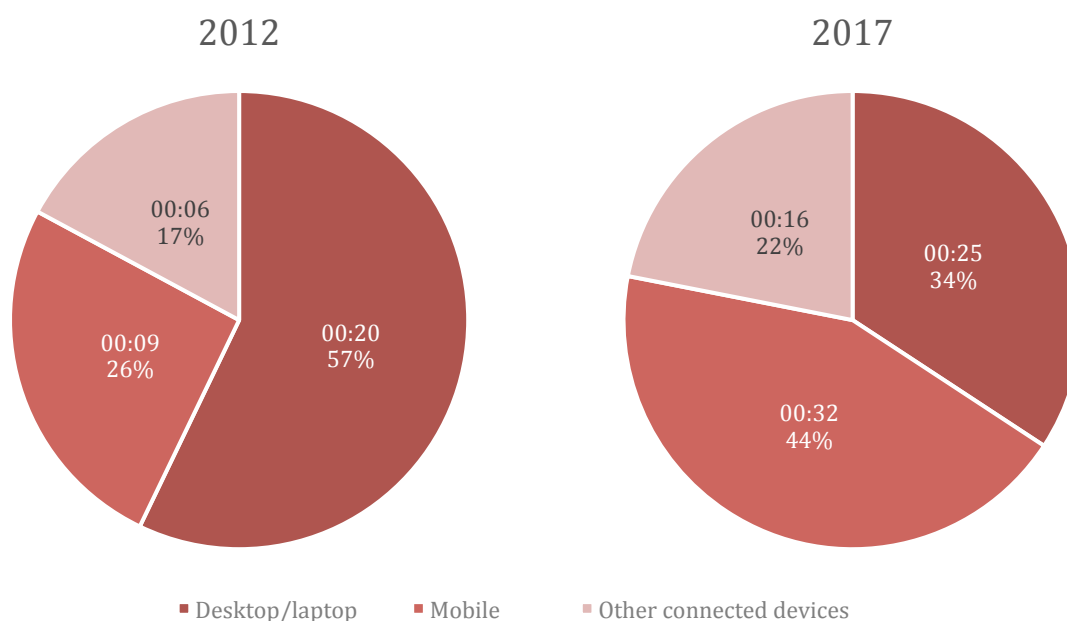
For instance, according to eMarketer<sup>15</sup> October 2015 estimates, for the five years from 2012 to 2017 average time spent per day with digital video by US adults will grow at an annual compound growth rate of 15.5%. Within this number CAGR of mobile video consumption will be 29%, whereas desktop – just 4.5%. Thereby share of desktop video time consumption will decrease from 57% in 2012 to 34% in 2017. Meanwhile mobile video consumption share will increase from 26% to 44%. In 2015 US adults spent an average of slightly more than one hour per day watching digital video, with 24 minutes on PC or laptop and 26 minutes on smartphones and tablets. The remaining 12 minutes accounted for other connected devices, be it Smart TV, streaming media players (set-top-boxes and dongles), games consoles etc.

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<sup>14</sup> Limelight Networks, “The State of Online Video”, ages 18-69 in Australia, Canada, the UK and the US, December 2015. URL: <https://connect.limelight.com/blogs/limelight/2015/12/16/consumers-increasingly-watch-online-video-content-on-their-own-terms-according-to-our-second-state-of-online-video-research-report>

<sup>15</sup> eMarketer, US, ages 18+, October 2015. Other connected devices include games consoles, connected TVs or OTT devices. Time spent with each medium includes all time spent with that medium, regardless of multitasking. URL: <http://www.emarketer.com/Article.aspx?R=1013308>

*Average Time Spent per Day with Digital Video by US Adults, by Device<sup>16</sup>*



Similar trend can be seen in China as well. In 2012 96% of online video viewers viewed<sup>17</sup> it on desktop and half less – on smartphones. In 2014 viewership became almost equal: 71% vs. 72%, and in 2015 smartphone video penetration forged far ahead: 77% smartphone viewers vs. 54% those “stuck” with desktop.

Globally, according to an ad platform Ooyala<sup>18</sup>, mobile share of digital video starts increased from 29% in Q3 2014 to 45% in Q3 2015 (39% came from smartphones and 7% - from tablets).

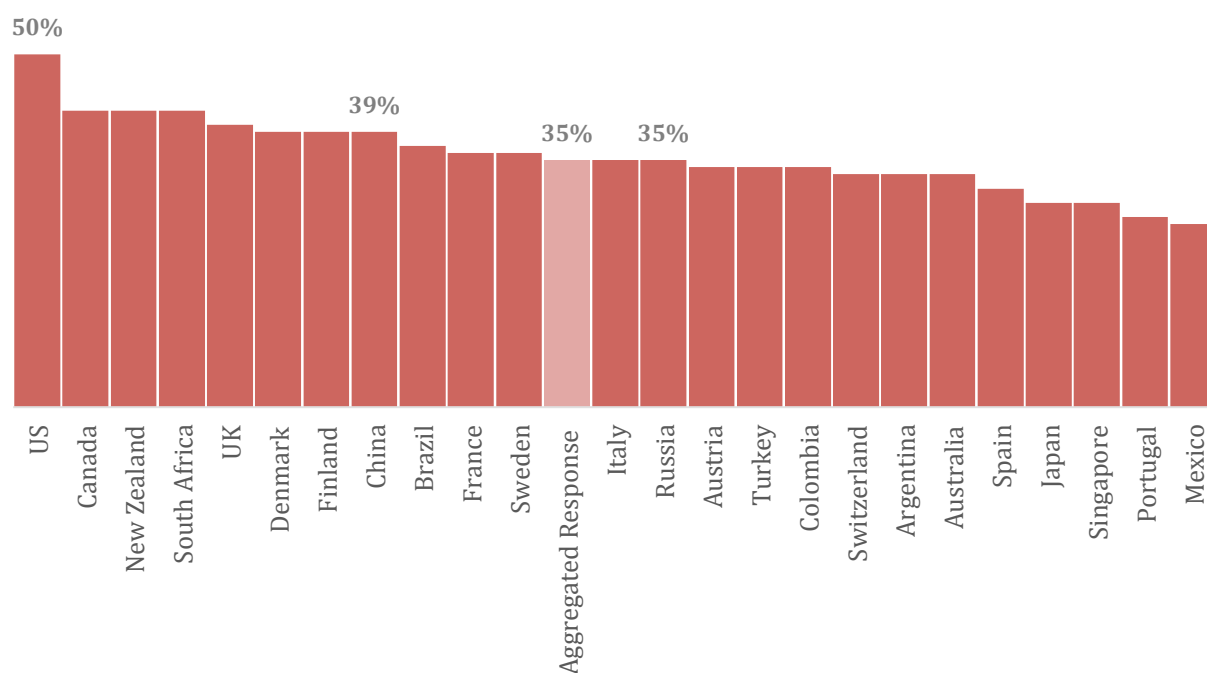
In 2015 IAB Mobile Marketing Center of Excellence (US) and On Device Research in conjunction with 23 other IABs produced the research on mobile video usage. In general, throughout all markets covered, 35% of mobile viewers surveyed claim they watch more video on their smartphones now than they did a year ago. In the US this indicator is the highest one (50%).

<sup>16</sup> eMarketer, US, ages 18+, October 2015. Other connected devices include games consoles, connected TVs or OTT devices. Time spent with each medium includes all time spent with that medium, regardless of multitasking. URL: <http://www.emarketer.com/Article.aspx?R=1013308>

<sup>17</sup> CNSA/CNNIC, “2015 China Digital Audio and Visual Consumption Development Report”, December 2015. Ages 6+ living across tier 1-4 cities. URL: <http://www.emarketer.com/Article.aspx?R=1013410>

<sup>18</sup> Ooyala, Q3 2015 Global Video Index, December 2015. URL: <http://www.emarketer.com/Article.aspx?R=1013389>

***Mobile video viewers that increased their smartphone video consumption comparing to the previous year<sup>19</sup>***



US marketers value mobile video advertising mainly for it increases brand awareness, provides better engagement and interaction and is suited to mobile consumption behaviors<sup>20</sup>. Among other benefits, revealed in the research by Trusted Media Brands and Advertiser Perceptions, are the following: better user experience, more authentic brand voice (purposeful and consistent expression of a brand through words and prose styles that engage and motivate), better quality of those who engage or click through, lead generation, higher clickthrough than desktop, less intrusiveness.

A consequence of the growth of mobile video advertising activity is its adaptation for the device, that is expressed in the shorter length of an ad video. Usually on desktop it varies from 10 seconds to 2 minutes (or longer, though very seldom), but when it comes to mobile the effective ad length goes down to 5-8 seconds and in some cases, possible, even less. Since the beginning of 2016 there were already launched two mini-series on Instagram (28-episodes Shield 5<sup>21</sup>), and

<sup>19</sup> IAB and On Device Research, Mobile Video 2015: A Global Perspective, June 2015, URL: <http://www.iab.com/insights/iab-research-mobile-video-usage-a-global-perspective/>

<sup>20</sup> Trusted Media Brands and Advertiser Perceptions, “Can Video and Native Formats Rule Mobile Advertising?”, survey of US media-decision makers, December 2015. URL: <http://www.tmbi.com/wp-content/uploads/2015/12/TMBICESNativeVideoMobileAdvWhitePaper-FINAL.pdf>

<sup>21</sup>Shield 5 is the first-ever scripted Instagram series, to be broadcast daily in 28 episodes. / Digital Trends, February 2016. URL: <http://www.digitaltrends.com/social-media/instagram-series-shield-five/>

Unbound<sup>22</sup> project about David Bowie), where each episode lasts for standard 15 seconds. If this trend continues, monetization question will arise and then, perhaps, even 5-8 seconds ads will seem extensive, or other ad formats will be found.

Another emerging trend connected with “mobilization” is vertical video, i.e. adaptation for viewership on smartphones with default screen orientation. The main mover here is a relatively new platform Snapchat (that, according to Financial Times<sup>23</sup> estimates, last year could have generated \$100 million ad revenues). However, even on the Western markets this format is only at an early stage – as marketing experts say, “2016 will not be the year of vertical video, even though it should”<sup>24</sup>. And the reasons for that are entrenched habits and conservatism of industry players, that is quite close to snobbery.

### Programmatic Video Adoption

Programmatic technologies in display advertising at first were used for banners and came to the video ad segment only after a while. The amount of available in-stream inventory on the market is scarcer than banner placements, that’s why video players are slow to organize open auctions and prefer private marketplaces and private deals (programmatic direct) over them.

Even in the US video is being bought automatically at a lesser scale than all display advertising on the whole. According to eMarketer<sup>25</sup> estimates, in 2015 programmatic accounted for \$2.91 billion or 39% of US digital video ad dollars (including mobile and other connected devices), whereas 59% of US digital display ads was transacted programmatically. By 2017 the gap is forecasted to narrow: share of programmatic in video will reach 65% (equals to \$7.43 billion) and in display – 72%. The biggest growth for programmatic video occurs in 2015 – the segment rose 3.5x times vs. 2014, after that the active growth is projected to continue but at a relatively slower pace (+85% in 2016, +38% in 2017).

In Europe programmatic share of all ad video in 2015 was, on average, lower than in the US and varied by country from 3% to 34%. Netherlands and the UK are the leaders by share and, as expected by IHS and SpotX, by 2020 programmatic video ad share in these countries will grow to reach 63% and 60%, respectively.

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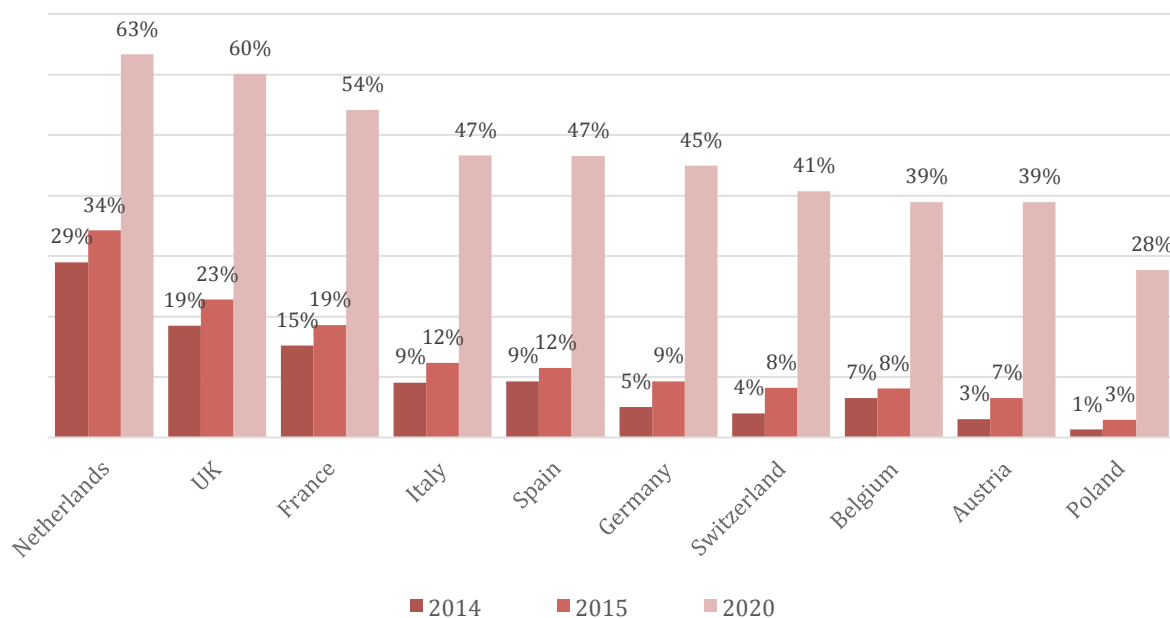
<sup>22</sup> David Bowie Instagram mini-series ‘Unbound’ episode 1: Review. / Independent, February 2016. URL: <http://www.independent.co.uk/arts-entertainment/tv/news/david-bowie-instagram-mini-series-unbound-episode-1-review-a6897086.html>

<sup>23</sup> Snapchat is on track to generate \$100 million in revenue. / Business Insider, October 2015. URL: <http://www.businessinsider.com/snapchat-is-on-track-to-generate-100-million-in-revenue-2015-10>

<sup>24</sup> 2016 Video Marketing Trends: Insights & Predictions From 16 Experts. / Momentology, December 2015. URL: <http://www.momentology.com/8936-video-marketing-trends-2016/>

<sup>25</sup> eMarketer, October 2015. URL: <http://www.emarketer.com/Article.aspx?R=1013096>



***Programmatic share of video ad revenues by European country<sup>26</sup>***

The Dutch digital advertising market has traditionally evolved technologies in display advertising and in banners especially. Crisis situation in the country in 2012 has led to the decline of video advertising market as advertisers would move budgets back to linear TV due to low CPMs and confirmed efficiency. From that moment publishers began actively embracing programmatic in video ads with a focus on brand safety and other brand-related priorities.

Media owners have restructured their sales teams, fostering healthy competition between programmatic and non-programmatic sales forces. Presence of strong global competitors stimulates Dutch publishers to implement innovations and develop technologies, advancing ahead of requirements articulated by the demand side (advertisers and agencies). And a growing proportion of audiences are logged in with their personal data when consuming online video, which increases volumes of first-party data, suitable for targeting.

The UK generates more than one third of all programmatic video revenue in Europe (EUR 135 million in 2015), it is one of the most developed European markets. The growth is fueled by a stable economy and lack of exposure to the Euro crisis, presence of strong local market players coupled with the rapid adoption of innovations from across the Atlantic. The further growth will come from a changing structure in the programmatic market towards private marketplaces and programmatic direct deals. This within the next years will help the UK to raise the programmatic share of video to 60% and thus to close the gap with the US.

By 2020 in France programmatic video buys will account for at least half of video revenues, too, in Spain and Italy – almost the same proportion (47%). Spanish publishers, in particular, find

<sup>26</sup> IHS Technology and SpotX, Video Advertising in Europe: The Road to Programmatic Ubiquity, September 2015. URL: <https://www.SpotX.com/wp-content/uploads/SpotXIHSVideoAdvertisingInEuropeTheRoadToProgrammaticUbiquity.pdf>

their potential advertising audience in Spanish-speaking countries of Latin America, monetizing more inventory. Publishers are gaining more experience and confidence in new technologies and begin to take more programmatic initiative from ad networks, so that more premium inventory is sold programmatically.

### Viewability Has All the Possibilities to Become a New Norm

Rob Davis, Executive Director, Content & Social in Ogilvy, thinks that “2016 will be the year that ‘views’ as a metric dies”.<sup>27</sup> Views have been a leading metric for years as they are easy to be measured and reported, additionally all the industry players converge in the understanding of this metric (which may sound strange and, possible, too obvious, but seems to be of great importance in practice). Unfortunately, they [views] have little correlation with return on marketing investments and describe the tips of the iceberg only, as well as CTR. Marketers should pay more attention to ad view length, actions taken after watching the video, share of actual impressions – consciously seen by real users (viewability).

A bright case here is an experiment made by an American ad agency Solve<sup>28</sup>, that created a completely blank four-minute YouTube video – no images, no sound, no title, no description, only a clickthrough URL to the agency's website. Solve promoted the video as a skippable (after 5 seconds) pre-roll to US viewers using YouTube TrueView In-Stream advertising. The video was served more than 200 thousand times, 46% of viewers watched it for at least 30 seconds (the necessary viewing time for YouTube to charge). 22% watched it till the end, about 1% clicked through the website. Solve representatives think that many users viewed the video inadvertently, as they had the video open in the background, or thought it was loading. The video did not earn any likes, shares or new channel subscribers.

The purpose of this experiment was to show the industry that views are not the most important metric: “Among many marketers and agency peers, ‘views’ have become the holy grail”, that offers a seemingly simple and easy way to measure content efficiency. However, this is a false indicator of success, particularly when a video receives a low level of likes. This metric cannot work by itself and should be taken into account in complex with other indicators of efficiency.

## Forecasts

**Global market.** ZenithOptimedia<sup>29</sup> projects that in 2014-2017 the global video advertising market will grow at an average of 29% a year (from \$10.9 billion to \$23.3 billion). The forecast

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<sup>27</sup>2016 Video Marketing Trends: Insights & Predictions From 16 Experts. / Momentology, December 2015. URL: <http://www.momentology.com/8936-video-marketing-trends-2016/>

<sup>28</sup>How This Agency's Completely Blank 4-Minute YouTube Video Got 100,000 Views. / Adweek, August 2015. URL: <http://www.adweek.com/news/advertising-branding/how-agencys-completely-blank-4-minute-youtube-video-got-100000-views-166460>

<sup>29</sup>ZenithOptimedia, March 2015. URL: <http://www.zenithoptimedia.com/online-video-lead-4-4-growth-global-adspend-2015/>

by PriceWaterhouseCooper<sup>30</sup> is somewhat lower (CAGR 2014-2019 is 19.5%), but they emphasize, as well, that online video is the fastest growing advertising category.

**US.** In the US there is an ongoing trend of video ad double-digit growth every year. eMarketer<sup>31</sup> foresees that in 2016 video ad revenue (including in-stream, in-banner and in-text) will grow 29% to reach \$9.59 billion, in 2017 it will increase by 19%, in 2018 by 14%, and in 2019 – by 13%. Accordingly, video ad share of total display will rise from 28% to 36%, and video share of all internet ad dollars – from 13% to 16%. Mobile advertising, in its turn, will expectedly grow at a faster pace comparing to desktop ads; mobile share of video ad revenue will rise from 37% in 2015 to 46% in 2019.

The following years YouTube will continue<sup>32</sup> being the leader of US video ad market, though its share will slightly lower from 20% in 2015 to 18% in 2017.

**Europe.** According to IHS and SpotX<sup>33</sup>, on five largest European markets (EU-5) video ad revenue in 2016 will grow by 12%-17%.

**China.** Online video in China shows double-digit gains for the past several years and, as estimated by Analysys International Enfodesk<sup>34</sup>, this trend will continue for the next years as well. In 2016 Chinese video ad revenue will grow 50% up comparing to 2015 (from RMB 24.3 billion to RMB 36.5 billion). The following years the expected growth rate will be 31% and 23% in 2017 and 2018, respectively.

Mobile video advertising already accounts for a significant share of the total: 47% of all digital video ad spending in 2015 (growth 8x in 2014 and 1.5x in 2015). These years, mobile video ad spending will also continue growing more quickly: +65% in 2016, +38% in 2017, +31% in 2018. Thus, by the end of 2018, 58% of all video advertising in China will go mobile.

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<sup>30</sup> PwC, “Global entertainment and media outlook 2015-2019”, June 2015. URL:

<http://www.pwc.com/mx/es/prensa/archivo/20150614-comunicado-prensa-media-outlook-press-pack.pdf>

<sup>31</sup> eMarketer, September 2015. Includes all ad formats (in-stream, in-banner, in-text) that appear on desktop and laptop computers, as well as smartphones, tablets and other connected devices. URL:

<http://www.emarketer.com/Article.aspx?R=1013442>.

<sup>32</sup> eMarketer, March 2015. URL: <http://www.emarketer.com/Article.aspx?R=1012903&ecid=MX1086>

<sup>33</sup> IHS Technology and SpotX, Video Advertising in Europe: The Road to Programmatic Ubiquity, September 2015.

URL: <https://www.SpotX.com/wp-content/uploads/SpotXIHSVideoAdvertisingInEuropeTheRoadToProgrammaticUbiquity.pdf>

<sup>34</sup> Analysys International Enfodesk, “2016-2018 China Digital Video Market Trends Forecast”, January 2016. URL: <http://www.emarketer.com/Article/Digital-Video-Ad-Spending-Makes-Solid-Gains-China/1013516>

## In Russia

### Events

#### Major market participants' innovations

In April 2015 Rambler&Co<sup>35</sup> launched its own video production studio and entered into ad selling partnership with the video sales house GPMD (Gazprom Media Digital, division of Gazprom Media).

In October Yandex re-launched Kinopoisk, but the new version was disliked by a large number of users and therefore was recalled<sup>36</sup>. As a result, the new version is not going to substitute the old one but will stay as one of the portal sections – an online cinemas aggregator.

Ivi.ru, one of the largest online cinemas in Russia, in the end of the year expanded<sup>37</sup> to 11 CIS countries. The company shifted away from paying right holders minimum fees and instead will share revenue with them.

Perviy Kanal (“First Channel”) is the first of Russian broadcasters to begin<sup>38</sup> substituting linear TV advertising (at least, part of it) with specific online video ads in online broadcasting on 1tv.ru. These video ads can be bought through the sales house IMHO Vi (Vi group sells linear TV advertising on Perviy). Another Russian broadcasting group – VGTRK – also plans to conduct such tests.

In the beginning of 2015 it was rumored about the deal between Rostelecom and Gazprom Media on acquiring OTT assets of the latter (Now.ru, RuTube and Zoomby.ru), but this transaction has never taken place<sup>39</sup>. In the very beginning of 2016 Gazprom Media decided<sup>40</sup> to merge Rutube with the largest distribution platform of legal content in Runet – Pladform – through which video is placed on many Russian publishers including V Kontakte. It is estimated that in 2016 the new merger will take 26% of Russian video ad market. Advertising will be sold through GPMD.

#### Rise of Social Video

Starting the end of September 2015 Russian companies can advertise on Instagram through the official reseller Aitarget (in the US this product was announced a year ago). Among the new formats there is a 15-second ad video placed via CPM-auctions. At the time of the launch<sup>41</sup> 20%

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<sup>35</sup> Vedomosti, April 2015. URL: <http://www.vedomosti.ru/technology/articles/2015/04/14/rambler-co-otkril-telestudiyu-dlya-proizvodstva-videorolikov>

<sup>36</sup> RBC, October 2015. URL: <http://www.rbc.ru/technologyandmedia/12/10/2015/561b6a709a794742affe4fae>

<sup>37</sup> Vc.ru, November 2015. URL: <https://vc.ru/n/ivi-sng>

<sup>38</sup> Vedomosti, January 2016. URL: <http://www.vedomosti.ru/technology/articles/2016/01/18/624330-pervii-kanal-primul-zarobotat-bolshe-reklame-internete>

<sup>39</sup> Cableman, February 2015. URL: <http://cableman.ru/content/sdelka-rtk-i-gazprom-media-po-ott-aktivam-mozhet-sorvatsya>

<sup>40</sup> Kommersant, February 2016. URL: <http://www.kommersant.ru/doc/2907394>

<sup>41</sup> <http://www.aitarget.ru/blog/facebook-instagram-2015>

of Russian Instagram audience was available for targeting (the options are the same as on Facebook), but in Q1 2016 this share is supposed to rise to 100%.

Several months later<sup>42</sup> Odnoklassniki (ok.ru) also presented a new advertising format – native autoplay video ads (at that moment available only in the web version). Targeting is done via the platform myTarget, placements are sold both on auction-based model and fixed CPM. Advertisers are charged only for video impressions in the newsfeed, so that the viral effect is gratis. According to myTarget representatives, autoplay format increases ad views several times. Users are actively engaged in interaction with such content: they share it, turn on the sound, expand the video to full screen and other.

*Ilya Lagutin, Aidata.me: Increase of Instagram inventory coupled with a possible extension of autoplay video onto other Mail.ru products will lead to a significant growth of targeted mobile inventory supply. The limiting factors are, on the one hand, outdated video measurement systems, that do not work effectively in the new reality of mobile in-app traffic increase. On the other hand, newsfeed ads on Mail.ru / Facebook are still unavailable for third-party ad measurers.*

*Video advertising is becoming the main channel of online communication for FMCG companies. The main driver of inventory growth is social networks that show advertising not in video content but in newsfeeds. This increases the supply of high-quality mobile inventory with precise age and gender targeting, that such advertisers are in need of.*

*Elina Isagulova, Mail.ru Group: Social video can offer advertisers the most requested features: precise age and gender targeting (by social networks data where this ad is placed), high level of ad viewability (video starts only when a user scrolls to it), greater audience loyalty (because of the native placement). with this all the usual metric of evaluating ad efficiency are already available, for instance, video launches, video completion rate by quarters, full completion rate etc. We estimate that premium video inventory in 2016-2017 will grow right at the expense of social and out-stream video, so advertisers should utilize these products in their video budgets split more actively.*

## Anti-piracy activities

2015 is described by many surveyed experts as the year when Russian authorities have moved from words to action in combating the spread of illegal content.

On May 1, 2015 the amendments to the so-called anti-piracy law took<sup>43</sup> effect. They covered almost all types of copyrighted content (with the exception of photographs)<sup>44</sup> and regulated the process of out-of-court measures towards online publishers. On the other hand, if an injunction is granted, publishers are now under the threat of indefinite access blocking and entering into

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<sup>42</sup> Sostav.ru, November 2015. URL: <http://www.sostav.ru/publication/odnoklassniki-osvoili-nativnuyu-videoreklamu-19913.html>

<sup>43</sup> Gazeta.ru, April 2015. URL:

<http://www.gazeta.ru/tech/2015/04/29/6660893/antipiratskiyzakonvstupaetvsilu.shtml>

<sup>44</sup> The initial law applied to video content only.

Roskomnadzor's Common register of prohibited websites. In 2015 the number of websites in this registry reached 20 thousand (in 2012 there were less than 200 sites).

Perhaps the most resounding blocking became Rutracker.org, that was unable to come to terms with the publishing house Eksmo, National Federation of Music Industry and Warner Music Russia. In November 2015 it was ruled<sup>45</sup> to block this torrent portal permanently.

Online video industry views these events as a doubtless help in the process of developing legal online viewership, be it a paid experience or an ad-supported one.

## Trends

### Growth of Non-Desktop Video Viewership

According to TNS Web Index<sup>46</sup>, in December 2015 nearly 33 million inhabitants of large Russian cities age 12-64 watched online video from desktop or laptop computer at least once a month. A year ago there were 35.5 million viewers, which is 7% up. This is the first time the number of desktop viewers has decreased so significantly.

Meanwhile on the background of desktop video stagnation, non-desktop video views are increasing. As researched by Ericsson<sup>47</sup>, for the last two years share of Russian TV and video content viewers, who view it on mobile devices, increased by almost a half to reach 50%. All in all, according to Cisco<sup>48</sup>, in 2015 mobile video generated 54% of total mobile data traffic in Russia, by 2020 this share will increase to 75%.

As explored in the study by IAB and On Device Research, Russia has one of the highest levels of heavy mobile consumption. 73% of smartphone video viewers watch short video on them daily or more frequently, 45% do so with long-form video (5 minutes or more). This is significantly higher than the aggregated response on all the markets surveyed (58% and 36%, respectively).

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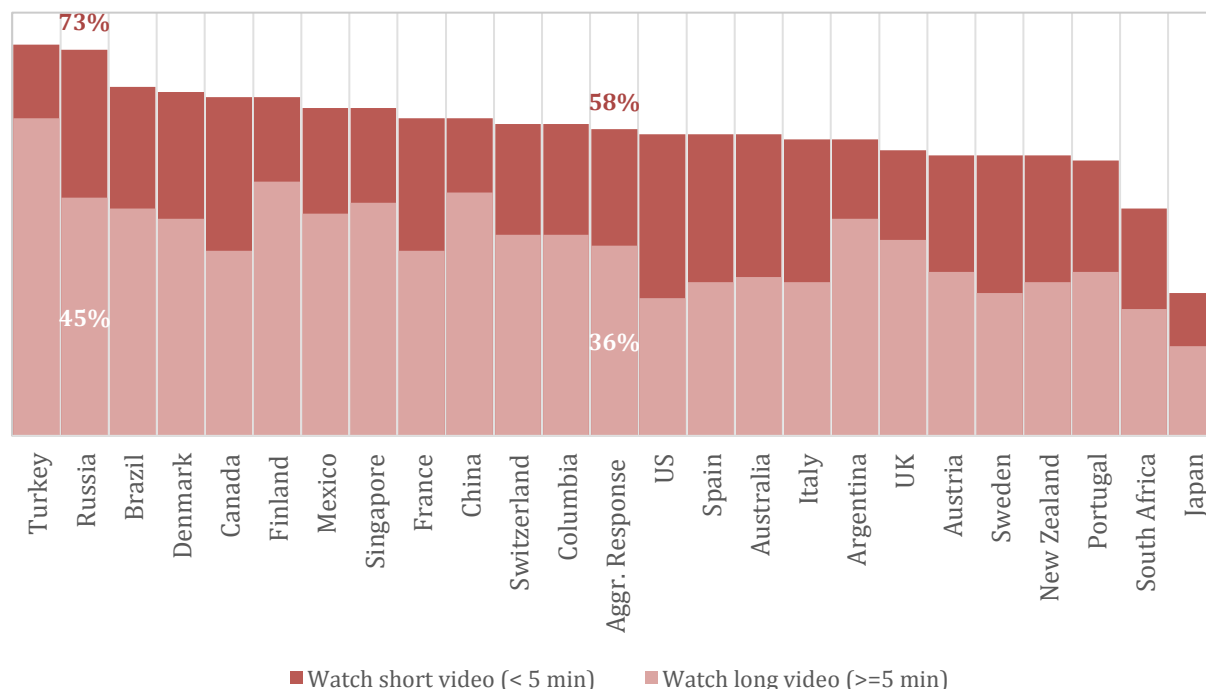
<sup>45</sup> Vedomosti, November 2015. URL: <http://www.vedomosti.ru/technology/articles/2015/11/09/616032-rutracker-zablokirovan-navechno>

<sup>46</sup> TNS Web Index, Russian cities with 100k+ inhabitants, ages 12-64, December 2015 vs. December 2014, monthly desktop reach of video sites.

<sup>47</sup> Cableman, January 2016. URL: <http://www.cableman.ru/content/auditoriya-mobilnogo-tv-v-rossii-vyrosla-za-dva-goda-na-38>

<sup>48</sup> Cisco, "Global Visual Networking Index (VNI): Global Mobile Data Traffic Forecast Update, 2015-2020", February 2016. URL: <http://www.cisco.com/assets/sol/sp/vni/forecasthighlightsmobile/index.html>

*Share of heavy mobile video consumers<sup>49</sup>*



At the same time 35% Russian respondents claim they watch more video on their smartphones comparing to the previous year, 22% claim they watch less TV because of mobile video consumption.

It should be noted that online video viewership is not the only activity, that is shifting to new devices – such tendency is typical for all internet usage in general. According to TNS Web Index Establishment Study<sup>50</sup>, during 2015 the amount of Russians who go online from their desktop computers on a monthly basis, not even stayed the same but decreased by 6 p.p. (from 66% to 60%). Wherein online audience on other devices is stable or continues to increase: smartphones +8 p.p. (from 53% to 61%), tablets are stable at 33-34%, smart TV +2 p.p. (from 13% to 15%). Accordingly increases the online video audience on these screens: on average during 2015 in Russian cities 700 thousand inhabitants and more 11.5 million used mobile sites and apps categorized as video – this makes 45% of mobile audience<sup>51</sup>. On a weekly basis every third online user from smartphone or tablet accessed online video. When it comes to Smart TV, at least 80% online users<sup>52</sup> (of those who have activated connected TV sets) watch online video on this type of platform.

Online cinemas statistics show how much video consumption is skewing towards non-desktop viewership. Nearly 40% of Tvzavr content is viewed via Smart TV, mobile apps account for

<sup>49</sup> IAB and On Device Research, Mobile Video 2015: A Global Perspective, June 2015, URL: <http://www.iab.com/insights/iab-research-mobile-video-usage-a-global-perspective/>

<sup>50</sup> TNS Web Index Establishment Study, Russian cities 100k+, ages 12+, December 2014-December 2015.

<sup>51</sup> TNS Mobile Index, Russian cities 700k+, ages 12-64, January-December 2015.

<sup>52</sup> TNS and AC Vi estimates.

10%, web – for 50%. Ivi reported that by the year end of 2015 54% of views were generated by Smart TV users, with the remaining 46% distributed almost evenly between web and mobile platforms<sup>53</sup>.

However, although share of non-desktop video views keeps decreasing, the largest share of ad budgets still goes to this screen – from 60% to 90%, as estimated by the experts in IAB Russia survey.

*Elena Pikunova, Opera Mediaworks: Consciously purchased mobile video advertising reaches just 7-10% of total budgets.*

### Move Towards New Metrics

Trends of the Western ad market logically influence on Russia as well, albeit with some lagging. So, not least thanks to IAB activity, the market is gradually adopting the concept of viewability.

By the end of the year 2015 Russian advertisers, willing to audit viewability of video advertising, have access to several tools from independent suppliers, namely, comScore and Weborama.

comScore validated Campaign Essentials (vCE) for video ad campaigns measures total rating (GRP), taking into account demographical and behavioral characteristics of the targeted audience, as well as the rate of actual ad viewability for the consumers based on Media Rating Council standards (at least 50% of the video ad should be visible for a user for at least two consecutive seconds).

Weborama offers video ads audit not only on MRC standards, but on OpenVV (Open Video View initiative) as well. In the second case viewability of 50% of the ad is checked in 5 points: start of the video, first three quartiles and the end of the video.

*Anton Beschekov, NATIVEROLL.TV: On the whole we can see the usual lagging of Russia from the Western market, primarily in the field of evaluating ad campaign effectiveness. Too little attention is still paid to such crucial performance indicators as viewability, brand safety, video placement in illegal content, fraud.*

*Irina Skripnikova, Yandex: In contrast to the early years of online video advertising, when the advertisers experienced wasting budgets on video inventory with no guarantee of high-quality contact with real viewers, now they want to receive measurable effect from video placements.*

### Programmatic Video

Similar to foreign markets, programmatic approach in Russia year after year strengthens its positions in both banner and video advertising.

On average, as estimated by experts surveyed, in 2015 nearly 10-15% of in-stream ad budgets went through programmatic. For out-stream this percentage is even higher – up to 30%.

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<sup>53</sup>Cableman, February 2016. URL: <http://www.cableman.ru/content/vyručka-ivi-po-itogam-2015-goda-sostavila-105-mlrd-rublei>



It was suggested that in 2016 programmatic share of in-stream will not change, as there is a considerable lack of premium inventory that makes no sense to use additional technological tools. Still different kinds of targeting will be used more actively. However, the majority of experts does expect a faster growth of programmatic in in-stream video and – even more rapidly – in out-stream advertising.

Natalia Kalaytanova, *Exebid.DCA*: “In terms of programmatic penetration our market does not lag behind global trends. For instance, according to MAGNA GLOBAL<sup>54</sup>, during the previous year 31% of non-search advertising worldwide was placed through automated systems. In Russia RACA estimates the display segment to reach RUB 18.7 billion in 2015 and IAB experts see the programmatic part of it to be in between RUB 3.5-5 billion. Thus, we support the global industrial trend, showing strong growth and 1/4 of revenue. Of course the segment will naturally increase year after year through the integration of tech platforms into ad business structure.

Taking into account global forecasts, we can conclude that in 2016 display ad segment on the whole is going to move to programmatic tech infrastructure and in the longer term of 2017-2018 it will be able to achieve half of non-search ad revenue in Russia.

### Rapid Growth of Paid Model in Online Cinemas

When researching in-stream video ads, a separate group of online cinemas is traditionally considered as they have fully legal, professional and high-quality content.

Usually in times of crisis people tend to save on out-of-home entertainment in favor of indoor activities, under which in current situation fall both linear TV and online video. The common principle is to find a substitute of comparable quality at a lower cost or even free (if possible). This implies the potential of both paid (SVOD/TVOD) and ad-supported (AVOD) model of online video monetization. In the first case much depends on the cost of the content for an end-user, that is directly linked with right holders’ prices (and, if the content is foreign, with the currency exchange rate). In the second case “the aggravating circumstance” is the general decline of ad budgets in a crisis situation.

The experts surveyed by IAB estimate that out of all in-stream ad revenues in 2015 nearly 35-40% account for online cinemas. In 2016 their ad revenues will grow, at least at the same pace as the market in general, or even better. Within online cinemas revenue paid model will gradually gain more, thanks to the rapid dynamics. While in 2015 the proportion of paid and ad-supported models on average was 65% to 35% (ad share can reach up to 95% for individual publishers), in 2016 the paid model is forecasted to reach at least half of all online cinema revenues.

Among the factors that help the paid model increase one can name the development of Smart TV technologies. This ecosystem is protected from illegal content by vendors’ policy, which, coupled with the convenience of large screen, motivates users to pay. Another important factor is the already mentioned national campaign against piracy.

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<sup>54</sup> Magna Global: Programmatic Will Eat Half Of Display And Video Ad Budgets By 2019. Adexchanger, September 2015. URL: <http://adexchanger.com/online-advertising/magna-global-programmatic-will-eat-half-of-display-and-video-ad-budgets-by-2019/>

*Oleg Tumanov, Ivi.ru, on the year-end financial results of the company<sup>55</sup>: “In the current situation we see a slowing growth of ad revenues and a faster one of the paid model – it increased three times comparing to 2014. And it seems that the paid model still has a reserve for the same growth both this year and the next one.”*

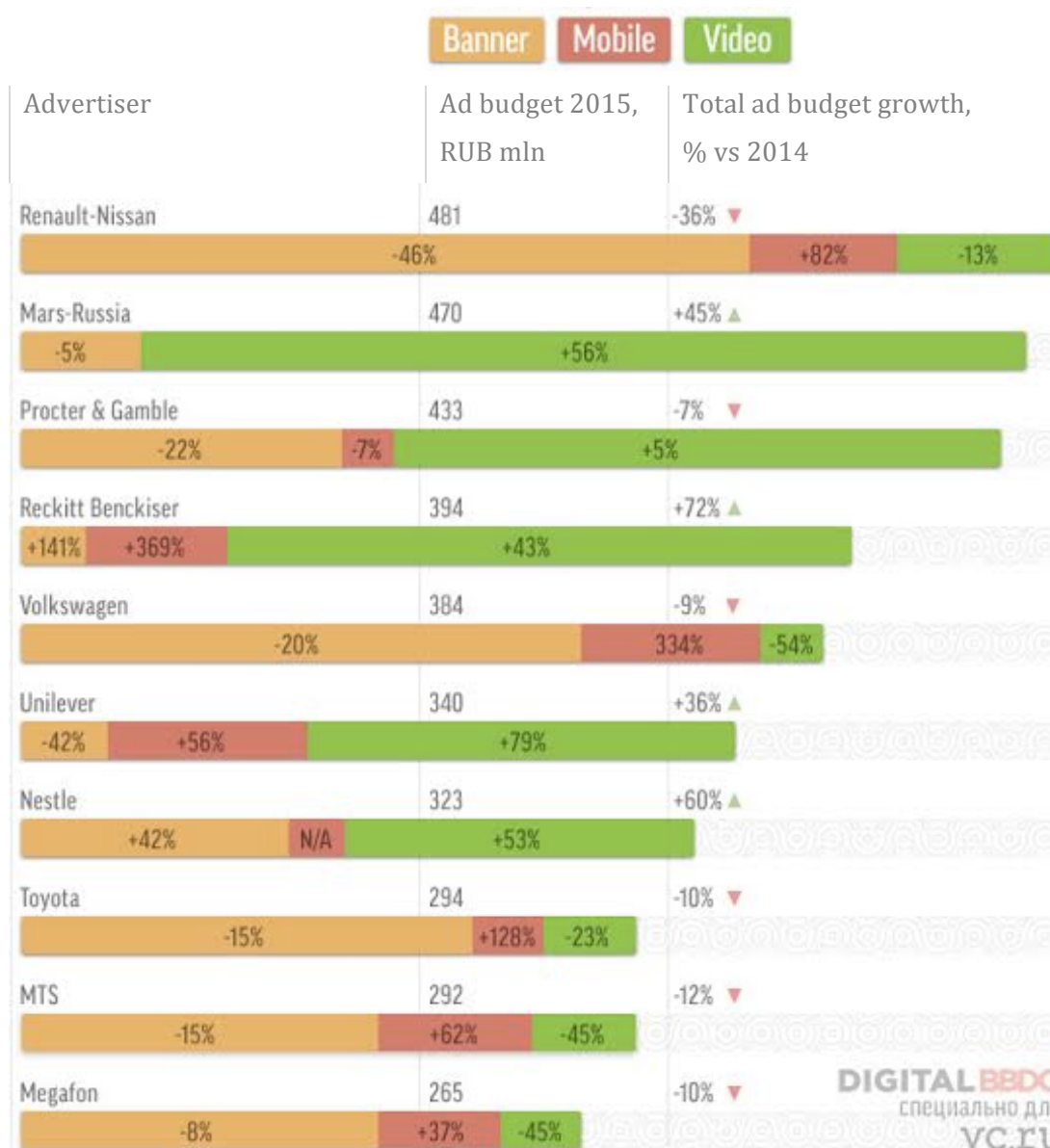
## Market Volume and Structure

**Market volume.** As estimated by the experts, participated in the IAB study for this overview, total video ad revenues (both in-stream and out-stream) in Runet for the full year of 2015 reached nearly RUB 5.6-5.8 billion. According to RACA estimates on Russian ad market revenue<sup>56</sup>, it makes 32% of display advertising and 6% of all online advertising.

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<sup>55</sup>Cableman, February 2016. URL: <http://www.cableman.ru/content/vyruchka-ivi-po-itogam-2015-goda-sostavila-105-mlrd-rublei>

<sup>56</sup>RACA, March 2016. URL: <http://www.akarussia.ru/knowledge/marketsize/id6462>

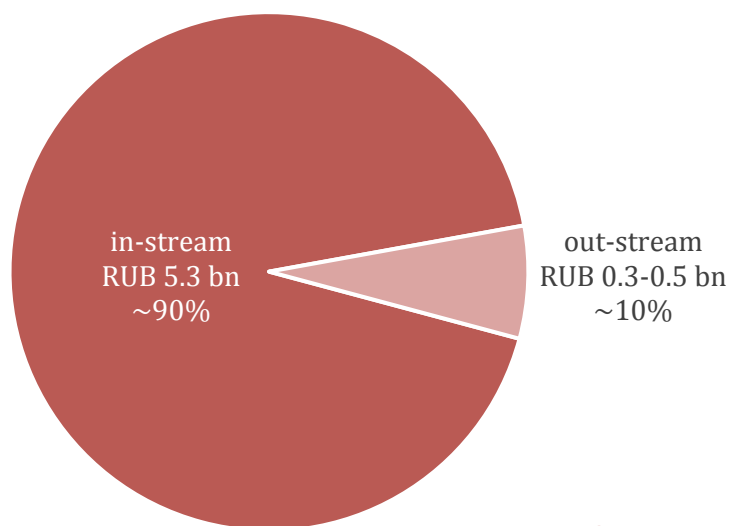
**Top-10 Advertisers Budgets by Format and Their Dynamics vs. 2014**


In 2015 video ad revenues grew 10% up from 2014, but some advertisers increased video budgets by up to 80%. For instance, according to Digital BBDO<sup>57</sup>, Mars in 2015 reallocated its display budgets (in this case display includes banners and online video and doesn't include sponsorship and social media advertising) in favor of online video, so that its proportion in media split reached 90% (+56% YOY). Nestle increased its spending on online video by 53%, Unilever – by 79%.

<sup>57</sup> Digital BBDO exclusively for vc.ru, March 2016. URL: <https://vc.ru/p/survey-ad-market>

**Online video ads revenue by format in Russia 2015<sup>58</sup>**

*Total revenue: RUB 5.6-5.8 billion*



IAB Russia, 2016

**Market structure.** Within video ad market the lion's share (RUB 5.3 billion or nearly 90%) accounts for in-stream advertising. The remaining 10% (RUB 300-500 million) are represented by out-stream in its different forms, be it an ad video inside a banner position (in-banner) or an ad video interrupting a text article (in-read).

### In-stream

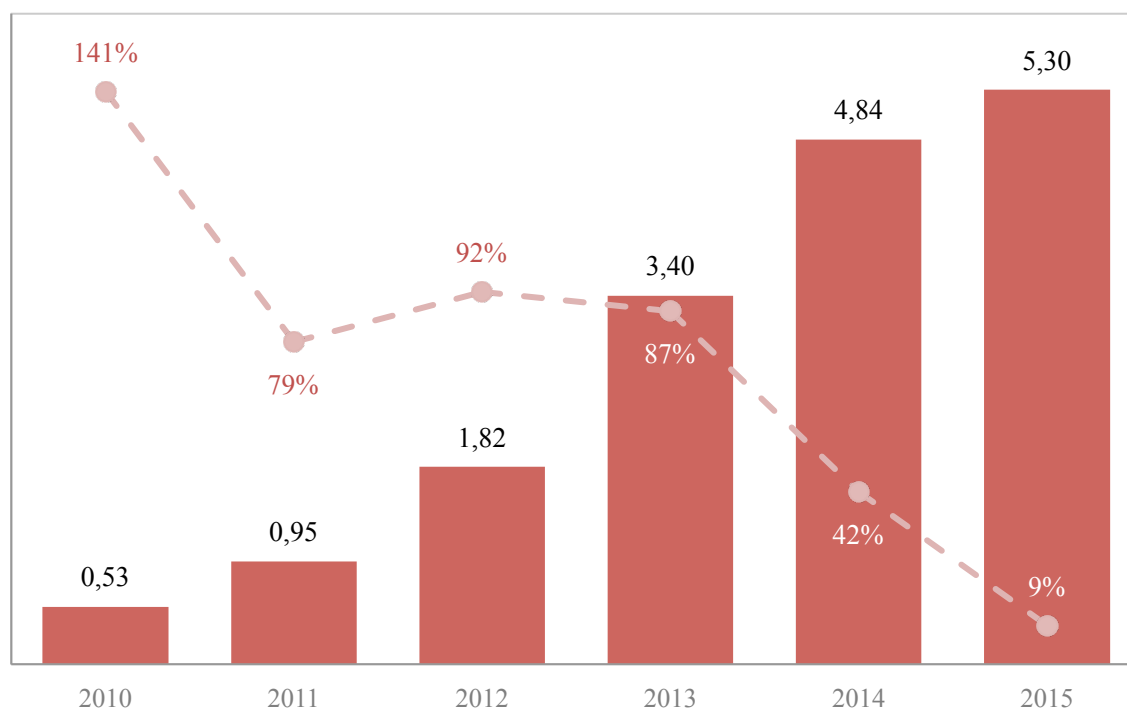
Online video ad estimates in Russia on a regular basis used to include in-stream ads only, therefore it is possible to look at the recent dynamics of this ad format.

During the active formation of this segment in 2012-2013 volume of in-stream advertising nearly doubled each year. By 2014 a backbone of players has already formed (both from the supply and demand side), so as the market matured, the growth started lowering (additionally it was influenced by general worsening of economic situation in the country). Thus, in 2014 in-stream ad revenue grew 42% up from the previous year.

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<sup>58</sup> IMHO Vi and IAB estimates.

***In-stream video ads revenue and growth in Russia (RUB bn) in 2010-2015<sup>59</sup>***



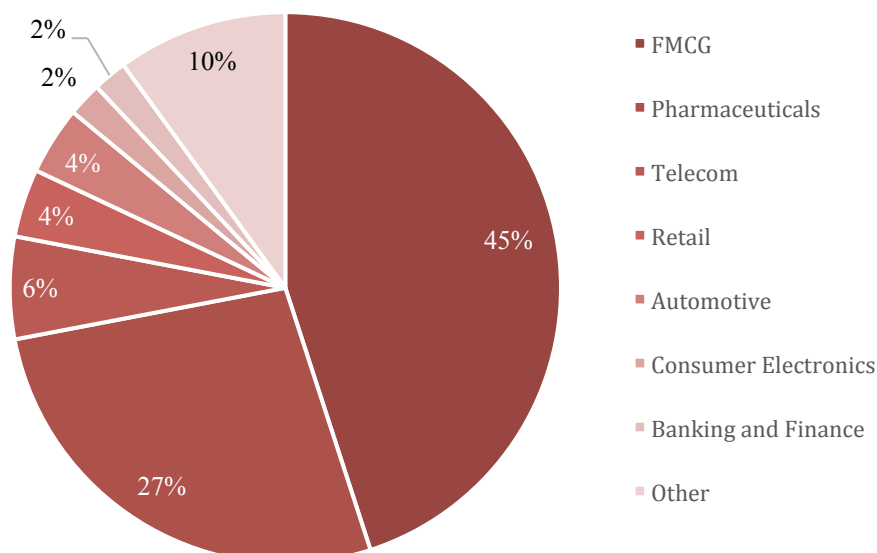
Over the past year the economic crisis aggravated, so almost all segments and sub-segments of the advertising market showed a significant decrease (ad market in general -10% YOY, TV segment -14%, press -29%, outdoor -21%)<sup>60</sup>, but in-stream continued to grow, although at single-digit: +9% vs. 2015 2014.

The main sellers of in-stream video ads in Russia are GPMD, IMHO Vi and YouTube's own sales (some is done through IMHO Vi). Together they make 85% of the market.

According to the surveyed experts, the leading product categories in terms of in-stream usage in 2015 were FMCG, Automotive (both vendors and dealers), Pharmaceuticals, Real Estate, Telecom. This picture correlates largely with TNS pilot video ad monitoring for the 10 days of November 2015. They explored that the most advertised categories in in-stream are FMCG (for example, Procter & Gamble, Reckitt Benckiser, Mondelez International), Pharmaceuticals (Novartis, OTC Pharm etc.) and Telecom (MTS, Beeline etc.)

<sup>59</sup> IMHO Vi and IAB estimates.

<sup>60</sup> RACA, March 2016. URL: <http://www.akarussia.ru/knowledge/marketsize/id6462>

***In-stream video advertising by product category<sup>61</sup>***

In 2016 TNS plans to provide video ad monitoring data on a regular basis, along with the existing banner monitoring.

### Out-stream

The concept of showing ad videos outside video content is not a new one, the first such format was a video banner. However, the general concept of out-stream advertising appeared on the market quiet recently, with the developing of other video ad types, such as video ad interrupting the text article (in-read). It can be said that out-stream advertising is only about to institutionalize – specialized players are appearing; tech platforms are developing. Out-stream ceases to be perceived as in-stream’s “poor relation”, though it can be still purchased together with in-stream video ads. The format is referred to as one of the latest trends in the development of display advertising. So it is doomed to a rapid growth, due to the larger inventory supply comparing to in-stream, in particular.

The respondents of IAB survey estimated out-stream video segment in Russia in 2015 to reach RUB 300-500 million.

The leading product categories, that use this ad type, are very similar to those of in-stream: FMCG, Automotive, Luxury Clothes and Cosmetics, Cellphone Vendors, Banks, Real Estate, Pharmaceuticals, etc.

Mail.ru, RBC, Yandex and NATIVEROLL.TV are named among the major out-stream publishers.

*Anton Beschekov, NATIVEROLL.TV: Out-stream video market in Russia is only at a formation stage. Institutional publishers are creating products, but due to lack of sales consolidation they*

<sup>61</sup> TNS Media Intelligence, Moscow, desktop, 10–20 November 2015, limited amount of sites: youtube.com, ivi.ru, rutube.ru, 1tv.ru, carambatv.ru, ctc.ru, megogo.net, tnt-online.ru, vk.com

*cannot compete effectively with leading video sales houses and so are not able to qualify for a substantial share of the budget that is allocated for in-stream video. Advertisers begin slowly embracing the correct evaluation of campaign effectiveness and putting out-stream video into a separate category. If to look at the international experience, in different countries out-stream accounts for 5% to 11% of the total video ad market<sup>62</sup>, for example in the UK. Russia has ideals to pursue, primarily, when it comes to evaluating out-stream video as an efficient way of communication comparing to familiar channels (i.e. in-stream).*

## Forecasts

Generally, market experts feel that video advertising (in-stream + out-stream) will show better dynamics comparing to banner ads and so to display segment on the whole. Estimated growth for 2016 lies between 9% and 20%.

*Ilya Lagutin, Aidata.me: In 2016 the crucial market driver will be the strategy of FMCG and Beauty advertisers, that will focus on video ad buying.*

**In-stream.** In fall 2015 one of the leading online ad sellers, IMHO Vi, forecasted<sup>63</sup> the segment of in-stream video ads in Russia to grow in 2016 by 19%, in 2017 – by 16%, and in 2018 – by 12%. While currently advertisers spend on online video 3% of their TV-budgets, in future this share will increase to 11%.

*Dmitriy Karmanov, CTC: In-stream dynamics will be better than that of banners, as there is demand and a place for growth: utilizing targeting on web inventory; implementing MRAID for mobile devices (apps have gone through the update cycle and began supporting interactive formats); options for selling Smart TV ad inventory have finally appeared (and they are similar to TV model).*

**Out-stream.** Most experts estimate out-stream video to grow by 30-40% in 2016 (individual respondents forecasted it to increase by two or even four times). The main trend of the format is its scaling onto mobile web placements.

*Irina Skripnikova, Yandex: There is a visible trend of banner placements transforming into formats suitable and/or close to video formats, as perceived by users: FullScreen, larger formats, in-page.*

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<sup>62</sup> <http://teads.tv/en/outstream-video-advertising-accounts-for-11-of-uk-digital-market>

<sup>63</sup> Vedomosti, September 2015. URL: <http://www.vedomosti.ru/technology/articles/2015/09/23/609948-rinok-videoreklami>

# Appendix 1. Russian Video Ad Ecosystem





## Appendix 2. Russian Video Ad Market Players

### Agencies, Sales Houses, Resellers and Ad Networks



ADLABS is a performance marketing agency with a long tradition.

<http://www.adlabs.ru/doc/ads promo/>



Aitarget is the only reseller of Facebook in Russia and a marketing partner of Instagram. Company's activity is focused on mobile advertising, including social video. It works with its own DMP Aidata.me.

<http://www.aitarget.ru/>

## DIGITAL BBDO

Digital BBDO specializes in solutions development and implementation for effective brand presence in digital communication channels. The key task of the agency is to propose digital communication that will solve client business challenges. The agency is a part of the Media Direction Group (BBDO Group Holding).

<http://bbdgroup.ru/eng/about/agency/digitalbbdo/>



The Everest Sales advertising agency was established in the fall of 2010 and is responsible for selling the advertising inventory on four of CTC Media Russian channels, namely CTC, Domashniy, Che and CTC Love, and online video assets: videomore.ru, domashniy.ru, ctc.ru, chetv.tu, ctclove.ru.

<http://www.everest-sales.ru/>



GAZPROM-MEDIA DIGITAL

Gazprom Media Digital (GPMD) is the biggest seller of video commercials on Runet. The company was created in the fall of 2011 and since January 1, 2012 has been offering advertisers the opportunity to post video commercials on leading Runet video resources.

<http://gpm-digital.com/>

## Google Display Network

The Google Display Network comprises a variety of sites, blogs and other niche sites across the internet, as well as Google resources, in particular, Gmail and YouTube. GDN offers text, image, interactive and video ads, different targeting settings are available.

<https://www.google.com/ads/displaynetwork/>



IMHO Vi is the division of Vi, the largest seller of display advertising in Runet. It exclusively sells ad inventory on more than 35 online portals, digital media and thematic sites, as well as their mobile versions and applications. Among the publishers are many video resources with fully professional, legal and high-quality content.

<http://en.internet.vi.ru/>

mediatoday  
INTERNET HOLDING

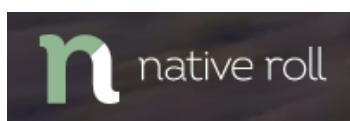
Mediatoday is a multiformat ad network that offers such products as video click”, “video interactive” and “video roll”. VideoRoll is an ad network, offering ad videos placement inside websites video content. The network comprises several dozen sites with total monthly traffic exceeding 20 million views. The main partner is Gazprom-Media Digital (GPMD).

<http://videoroll.mediatoday.ru/>



myTarget is an advertising platform provided by Mail.Ru Group. It includes all the major social networks on the Runet (Russian-speaking Internet) and services that reach more than 140 million people.

<https://target.my.com/>



NATIVEROLL.TV is an innovative platform for placing out-stream video ads in premium content. It is developed with technical support from Seedr (video distribution service).

<http://nativeroll.tv/>



Opera Mediaworks is a subsidiary of Opera, which places ad in global mobile internet – both mobile web and premium mobile app network Opera Mediaworks Network.

<http://operamediaworks.com/>



VivaKi Russia is the largest media buying group in Russia according to RACA and Sostav.ru ratings. It comprises four operationally independent parts: Mediavest, Starcom, Zenith and Optimedia agencies, as well as two affiliated agencies, namely, Medialink and Starlink. The agencies specialize in media planning, ad placement, media consulting.

<http://www.vivaki.ru/>



Videonow is the first video ad network in Russia, launched in 2008. In 2014 it became the partner of IMHO Vi in managing “Vi Network”, it also has extra monetization agreements with

various DSPs. In 2015 the network presented its own free SSP, that increases return on every video view due to the daisy chaining of several ad suppliers.

<http://videonow.ru/>

## Яндекс

Yandex Video Network comprises the main Russian-language movie service KinoPoisk as well as other resources in Yandex Display Network and partner sites of YAN (Yandex Ad Network). Yandex offers to advertisers in-stream (multi-roll), out-stream (in-page, in-banner), cross-platform (desktop web, mobile web, mobile apps, smart TV) and cross-media (video, audio) formats with unified targeting, social-demographical characteristics and frequency capping. Ad buying can be done on the fixed price or auction-based (pay per views or completed views).

Another Yandex product is a Portal Network #2 (Videobanner). It is an opportunity to purchase the single placement of banners with video on Yandex services and YAN sites. The banner can be shown on any Yandex service that has ad inventory.

[https://advertising.yandex.ru/media/banner/videoweb\\_yandex.xml](https://advertising.yandex.ru/media/banner/videoweb_yandex.xml)

### Video portals and social networks

## КиноПоиск

найди своё кино!

KinoPoisk is the largest movie portal for Russian-speaking audience, where users can find information about movies and series and exchange opinions. In 2013 was acquired by Yandex. In fall of 2015 a separate section “KinoPoisk+” was launched – online cinema aggregator.

<http://www.kinopoisk.ru/>



Mail.ru Group owns the largest Russian social networks “Vkontakte” (Vk.com), “Odnoklassniki” (Ok.ru) and Moy Mir (My World). Video contents and its monetization is of great importance in all of these projects. Video ads are shown both in-stream and in social newsfeeds (with autoplay). Ads are placed through myTarget ad platform.

One of Mail.ru portal’s services – Afisha@Mail.ru – is, on the one hand, TV guide and entertainment guide for big cities and, on the other hand, movies, series and TV shows aggregator from online cinemas (both ad-supported and paid).

<https://corp.mail.ru/ru/company/social/>, <https://afisha.mail.ru/>

## RAMBLER&Co

Rambler&Co is a Russian group of company that specializes in media and IT. One of the main resources is Rambler.ru portal, which section – “Rambler. Video” is a curated video catalog from various sources, that offers “Snapshot of the Day” personalized for every user. In 2015 Rambler&Co also launched its own video production studio.

Another asset – “Afisha” – has a movie guide and live broadcasting of art events. “Afisha. Serialy” (“Afisha. Series”) is the largest in Russia legal online aggregator of series (both paid and ad-supported models).

<https://video.rambler.ru>, <http://show.afisha.ru/>



RBC is a leading Russian multimedia holding. It operates in Internet, television and print media segments. RBC occupies leadership positions in news and business media as well as in domain name registration and hosting. Online properties actively develop in-text video ad format.

<http://www.rbc.ru/>

## Rutube

Rutube is one of the leading internet companies, that comprises a major Russian video portal and a platform of content distribution. Rutube is a part of Gazprom-media holding, ad inventory is sold through GPMD.

<https://rutube.ru>



YouTube is the largest video portal both globally and in Russia, was launched in 2005 and soon after that acquired by Google. It contains professional video content as well as user-generated videos and actively develops video blogging. It offers various types of ad formats, including skippable pre-rolls. Ad inventory is sold partly through IMHO Vi, partly in-house.

<https://www.youtube.com/>

## Онлайн-кинотеатры



ivi is a Russian media company, that develops online projects with legal professional content. Among the projects are the largest in Russia (in terms of audience and video catalog) online cinema ivi.ru, the first in Runet personalized service with video channels music.ivi, video service for kids deti.ivi and the online media “Titre” with news and articles about movies and series, that are based on the service’s statistics.

Since the end of 2015 ivi.ru is available not only in Russia but in CIS countries as well. It utilized two business models: selling ads in free movies catalog and selling content of premium service ivi+. Advertising is sold in-house and through IMHO Vi.

<http://www.ivi.ru/>

# MEGOGO

MEGOGO is the world's largest multiscreen video service for Russian speaking audience, that is available in 15 Post-Soviet countries. In the end of 2014 it launched a new product MEGOGO TV – a new format of online TV broadcasting (both popular TV channels and its own interactive ones), available as the single platform on any screen.

<http://megogo.net/>



Molodejj.tv is a project of Yellow, Black and White studio (video production and distribution). The portal offers the access to online viewership of YBW content and YBW TV – exclusive videos from making of Yellow, Black and White content.

<http://molodejj.tv/>



Now.ru is an online cinema by Gazprom-Media that utilized both ad-supported and paid business models.

<http://www.now.ru/>

## Tvigle

Tvigle.ru is one of the first Russian online video services with 100% legal content. It comprises cloud video distribution platform, vast affiliate network, mobile apps for Android and OS and smart TV apps.

<http://www.tvigle.ru/>

## tvzavr

интернет-кинотеатр

TVzavr is one of the major Russian online cinemas, launched in 2010. Utilized both free and paid (TVOD) model, advertising is sold through IMHO Vi.

<https://www.tvzavr.ru/>

## videomore

Videomore is the first Social TV Network in Russia. The site combines all the advantages of a professional video portal with those of a social network. The portal offers content (including catch up) from three Russian CTC Media channels, namely CTC, Domashny and Peretz.

<http://videomore.ru/>

## zoomby

Zoomby is the largest online TV content aggregator with main nationwide TV channels content, movies and kids programming. It offers catch up of Russian TV shows in two hours after broadcasting. Zoomby.ru is managed by “WebTV” that is a subsidiary of WebMediaGroup. Advertising is sold through IMHO Vi.

<http://www.zoomby.ru/>

### Technologies

## ADRIVER

AdRiver started working in 2011 and over this time has become a recognized leader in the Russian market of technological solutions in the field of Internet advertising. AdRiver software

provides more than 2 billion hits daily. Today AdRiver has the possibility of selling advertising inventory via AdRiver SSP on any auction model (open, private, direct deal).

<http://www.adriver.ru/>



Advark allows webmasters to fully monetize their video and website traffic and helps advertisers access their target audience across hundreds of websites. Advertising is available across desktop and mobile, domestic and international traffic, using a variety of in-player and near-player video advertising formats.

<https://advarkads.com/>



**aidata.me**

Aidata.me offers to all player of RTB market its DMP solutions for smarter audience buying. Aidata.me aggregates, processes, segments and delivers data about age, gender, interests and intents of more than 1 000 000 000 unique cookies per month.

<http://www.aidata.me/>



Between Digital, commercially launched in the end of 2012, is an integrated platform for managing advertising on the websites, which operates with the usage of RTB technology. In December 2013 the company launched its own DSP Intency and in 2014 – programmatic premium solutions for Russian ad market.

<http://betweendigital.ru/>

**blondinka.ru**  
агентство результативной рекламы

Blondinka.ru is one of the leading search ad agencies in Russia, that is focused on performance advertising. It manages two ad platforms Marilyn (for major advertisers) and Aori (aggregator for SMB), that allow to managing YouTube video campaigns among other formats.

<http://blondinka.ru/>





comScore is an international research company, that measures cross-platform audience, brands and consumer behavior. For video industry the company offers such product as VMX (Video Metrix, measures audience metrics for video players on desktop web) and vCE (validated Campaign Essentials) – an expanded analysis of video ad effectiveness, including viewability.

<http://www.comscore.com/>



D.C.A. Data-Centric Alliance comprises several RTB-products for the Russian market: Exebid DSP, Spicy SSP, FACETz DMP. The proprietary DMP accumulates data about online audience for providing extended socio-demographical and behavioral targeting. Exebid offers audience taxonomy on more than 700 segments.

<http://datacentric.ru/>



DoubleClick Bid Manager is DSP by Google, which provides a real-time control of media purchasing and video advertising on RTB model. Google DBM works with major RTB-exchanges in the world (DoubleClick Ad Exchange, AppNexus, FBX, MoPub, etc.).

<https://www.doubleclickbygoogle.com/>



Eagle.Platform is an online video platform by Dulton Media for video content management and monetization, from video section on the site to large UGC video portal.

<http://eagleplatform.com/>



iMarker company offers targeted advertising based on user behavior on the Internet, entered the RTB market in 2014. To obtain data on the behavior, iMarker collaborates with leading ISPs in Russia. The company has its own DMP. Available formats include video advertising.

<http://imarker.ru>



Pladform is the largest Russian ecosystem for video content management (publishing, distribution and monetization). In 2016 Pladform is planned to be merged with Rutube, possible under the name of Ruform. The exclusive ad selling partner is GPMD.

<https://pladform.ru/>



входит в группу компаний Сбербанк

Segmento is an ad platform that targets display advertising (banners, video, mobile) using offline and online data. It works on the RuTarget technological stack, since 2015 is a part of Sberbank Group.

[www.segmento.ru](http://www.segmento.ru)



SPB TV is a provider of OTT, IPTV and mobile TV solutions for broadcasting TV and video content on various screens, be it cellphones, tablets, desktop computers or TV sets. Its own B2C TV apps is available on any platform. Linear TV and VOD is accessible both free and on a paid model.

<http://spbtv.com/>



Soloway is an operator of selective advertising that offers RTB-solutions for platforms (SSP AdRiver), and for advertisers (DSP and DMP). Over the years Soloway gathered a large network of Internet websites, and now offers auction-based ad buying. Soloway provides both internal and open auctions, collaborating with other SSPs on the Russian market.

[www.soloway.ru](http://www.soloway.ru)



ViHub is the first Russian platform for programmatic video ad management. Automatic ad placement optimization allows advertisers to achieve the best results. ViHub allows advertisers and agencies to place the ads on their own, using platform's interface and technology.

<http://vihub.ru/>



Weborama is a kingfish of European audience data market. It has the full stack of tech solutions and expertise for using data in marketing: its own DMP, ad server and display audit system, interactive technologies. In Russia the company operates since 2012 and collaborates with leading advertisers, agency groups and publishers.

<http://www.weborama.com/>



Xaxis is the world's largest technology platform, working in the field of programmatic buying and ad buying in digital media. Xaxis Russia is part of GroupM Russia, the leading global media holding.

<http://www.xaxis.com/>

## About IAB Russia

### The Interactive Advertising Bureau (IAB) Russia

A non-commercial partnership for interactive advertising promotion, a part of an international IAB association. The main objective is to grow and develop interactive advertising market. IAB successfully operates in 41 countries on 5 continents.

Priority areas of The Interactive Advertising Bureau (IAB) Russia are the following:

- Educational activities;
- Formation of industry standards, guidelines and glossaries;
- Organizing industrial events, including MIXX Conference and MIXX Awards;
- Conducting research in the field of online advertising, taking into account international methodologies and best practices

Contacts:

3-3 Polkovaya St., 4th Floor, Moscow, 127018. Tel/fax: +7 (495) 662 39 88

email: [add@iabrus.ru](mailto:add@iabrus.ru)

[www.iabrus.ru](http://www.iabrus.ru)

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For all questions regarding this report please contact:  
Irina Shpuntova [irina@iabrus.ru](mailto:irina@iabrus.ru)