



Video Landscape Report 2016

IAB Video Center of Excellence



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Introduction

The current video landscape is being transformed by the confluence of technological innovations and consumer behavior shifts. As an industry we have reached a critical inflection point to understand the on-going convergence between traditional TV and digital video—what does video mean, what will it become, and how is video used to reach, engage, and drive actions. It is absolutely imperative to understand the complex and evolving ecosystem of video advertising to drive our perspectives and decisions on both the buy side and the sell side.

Background

- The IAB Video Center of Excellence created this video landscape report after reviewing and compiling existing industry research reports and publications, as well as consulting with more than a dozen industry practitioners and subject matter experts including broadcast, cable, ad tech, digital pure plays, agencies, and brands.
- The key objective of this report is to provide perspectives on the state of the video advertising ecosystem. It will also serve as a modular tool to demystify and simplify video and educate the advertising marketplace about the growth and value of video in reaching and engaging consumers.
- Given the complexity of the entire video landscape, this report is going to anchor around the confluence of consumer consumption and technology in an advertising-supported video ecosystem to provide a clear understanding to a buy-side audience of the current state of video.

Executive Summary

- The video ecosystem has never been more complicated and exciting. We have seen an increased number of content creation sources, delivery and consumption channels, and platforms, and as a result, more video viewing time in total. While traditional TV still dominates ad revenue, digital video—especially mobile video—is the fastest-growing video type by consumption. All of these developments provide more opportunities for brands and marketers to connect with consumers.
- Looking across the video platforms and channels, traditional and new opportunities to reach and engage consumers abound in this rapidly evolving video ecosystem. This report looks into a number of opportunities—Addressable TV, OTT, Programmatic TV, Original Digital Video, Live Video, and In-Feed Native Video, to name a few.

Executive Summary

- While opportunities to reach viewers have increased, we see challenges across traditional TV and digital video platforms due to consumers' behavior shifts and new technologies. Key challenges that the industry needs to watch out for and address as a whole include digital and cross-media measurement, audience fragmentation, and ad avoidance.
- The confluence of consumer behavior and technology is driving current and emerging trends that push and shape this evolving video landscape. The industry needs to have a deeper understanding of the shift in consumer dynamics and technology proliferation to better leverage the trends that may have a significant impact on video advertising's future.

Landscape

The video ecosystem has never been more complicated and exciting—we have seen an increased number of content creation sources, delivery and consumption channels, and platforms, and as a result, more video viewing time in total. While traditional TV still dominates ad revenue, digital video— especially mobile video—is the fastest-growing video type by consumption.

The changing faces of video in a complex ecosystem

The term video is perceived through varying yet overlapping frameworks and lenses

Video Type

Long form video
Short form video
Original digital video
User-generated content
Vertical video
360 video
Virtual reality
Live video

Distribution Channel

Linear TV
TV Everywhere
Video On Demand
SVOD

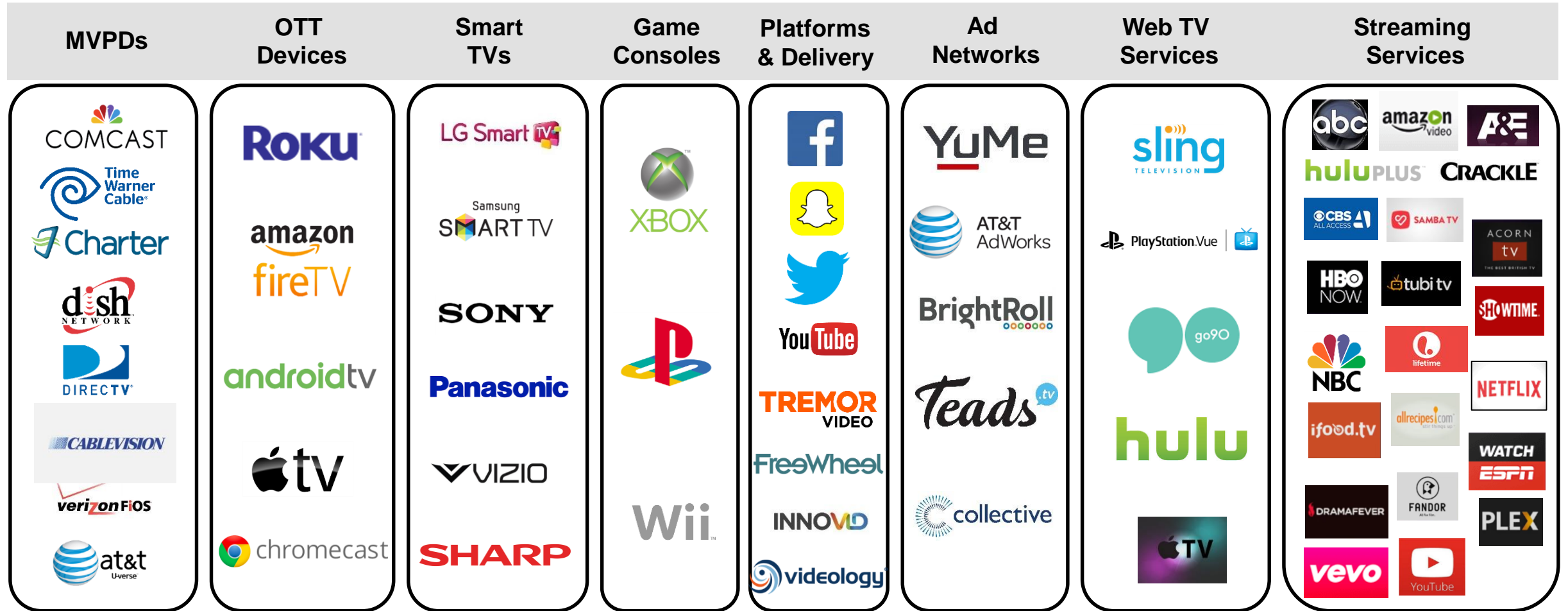
Viewing Device/Platform

Desktop
Mobile
OTT/Connected TV
Social
Messaging app
Digital OOH
Gaming console

Ad Unit

In-stream
Out-stream
In-feed
Overlay

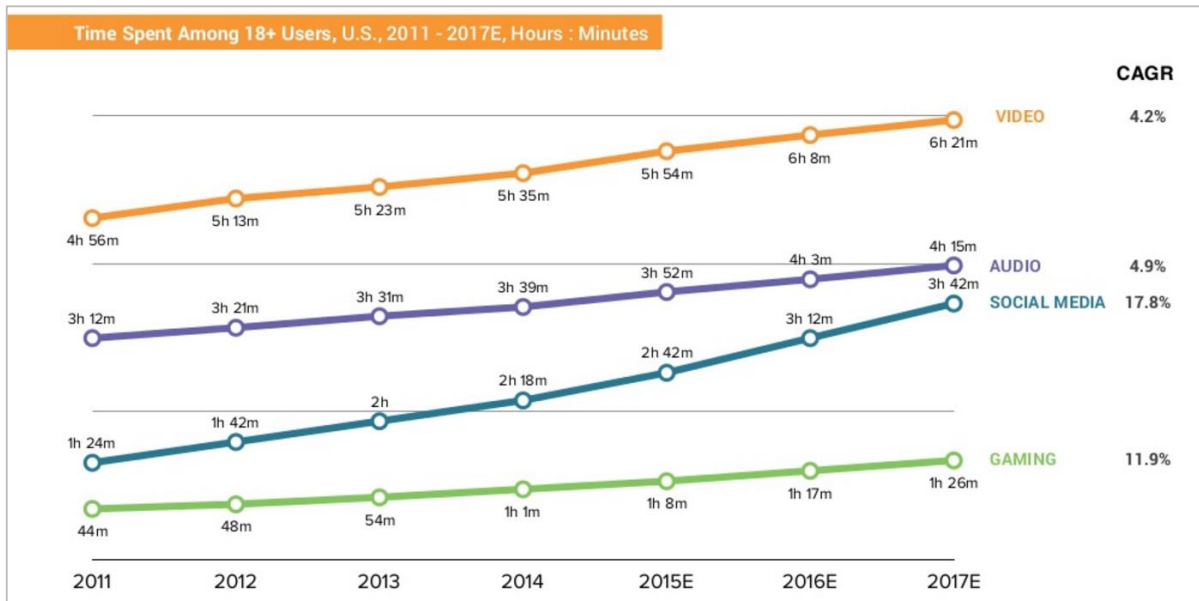
Video delivery and consumption is more crowded than ever



And more...

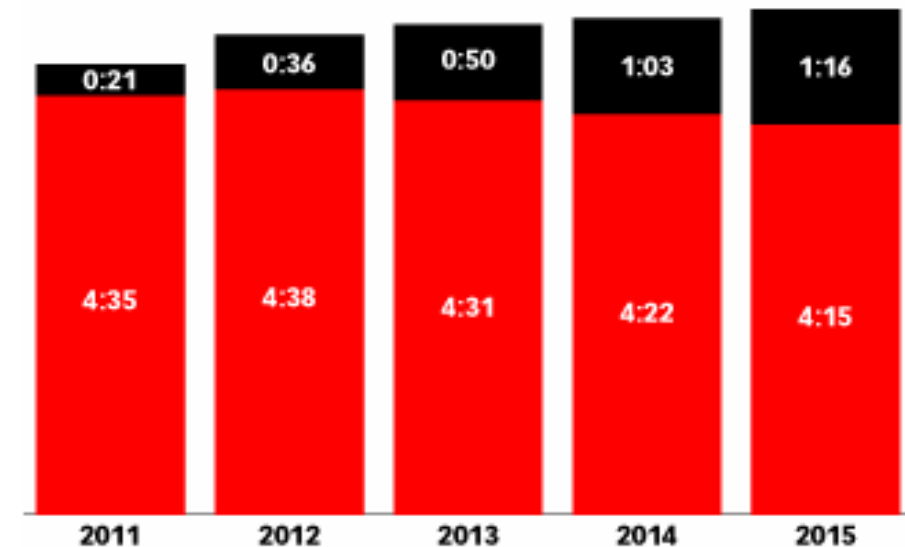
Total video viewing time continues to go up; digitally-delivered video viewing time increases year-over-year

- According to Activate analysis, total video viewing time among U.S. adults has continued grow year-over-year
- While TV still takes the majority share of total viewing time, digital video's share has increased over time



Average Time Spent per Day with Video by US Adults, by Media, 2011-2015

hrs:mins



■ TV ■ Digital video devices*

Note: ages 18+; time spent with each medium includes all time spent with that medium, regardless of multitasking; for example, 1 hour of multitasking with digital video while watching TV is counted as 1 hour for TV and 1 hour for digital video; *includes time spent watching digital video via game console, connected TV or OTT device
Source: eMarketer, April 2015

More devices are used to watch TV content and younger viewers skew viewing on digital devices

Share of Time Spent Watching TV Shows Among US Internet Users, by Generation and Device, Nov 2014

% of respondents in each group

Trailing millennials (14-25)



Leading millennials (26-31)



Generation X (32-48)



Baby boomers (49-67)



Seniors (68+)



Total



■ TV ■ Desktop/laptop ■ Tablet ■ Smartphone

Source: Deloitte, "Digital Democracy Survey," April 22, 2015

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www.eMarketer.com

- Among total U.S. internet users, TV content is still primarily consumed on the TV screen
- However, as more device choices are being used to watch TV content, the share of desktop and mobile devices out of total viewing time increases among younger viewers
- Trailing millennials (aged 14 to 25 years) are the only age group watching more TV shows on digital devices than on traditional TV screens

Mobile video is increasingly taking a bigger share of digital video viewing

- Video viewing on mobile and connected devices has been on a steady rise

Average Time Spent per Day with Digital Video by US Adults, by Device, 2011-2015

hrs:mins and CAGR

| | 2011 | 2012 | 2013 | 2014 | 2015 | CAGR (2011-2015) |
|---------------------------|-------------|-------------|-------------|-------------|-------------|---------------------|
| Digital video | 0:21 | 0:36 | 0:50 | 1:03 | 1:16 | 38.4% |
| —Mobile | 0:03 | 0:09 | 0:21 | 0:30 | 0:39 | 91.8% |
| —Tablet | 0:01 | 0:04 | 0:13 | 0:18 | 0:22 | 119.8% |
| —Smartphone | 0:02 | 0:04 | 0:08 | 0:12 | 0:17 | 81.1% |
| —Desktop/laptop | 0:12 | 0:21 | 0:22 | 0:24 | 0:24 | 18.6% |
| —Other connected devices* | 0:06 | 0:06 | 0:07 | 0:09 | 0:13 | 22.9% |

Note: ages 18+; time spent with each medium includes all time spent with that medium, regardless of multitasking; for example, 1 hour of multitasking on desktop/laptop while watching TV is counted as 1 hour for TV and 1 hour for desktop/laptop; *includes game consoles, connected TVs or OTT devices

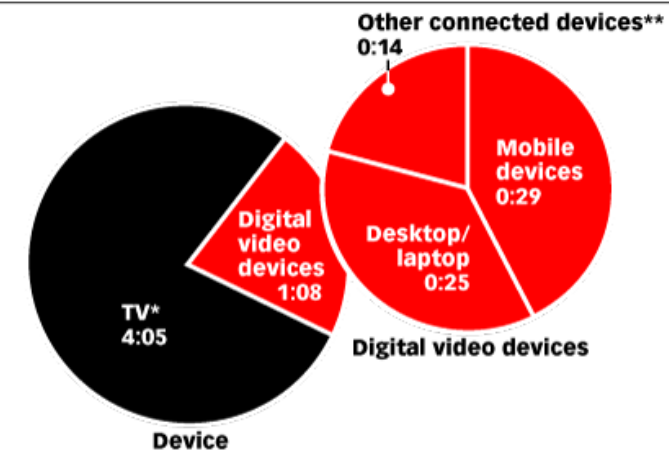
Source: eMarketer, April 2015

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www.eMarketer.com

Average Time Spent per Day with Video by US Adults, by Device, 2016

hrs:mins



Note: ages 18+; time spent with each medium includes all time spent with that medium, regardless of multitasking; for example, 1 hour of multitasking on desktop/laptop while watching TV is counted as 1 hour for TV and 1 hour for desktop/laptop; *excludes digital; **includes game consoles, connected TVs or OTT devices

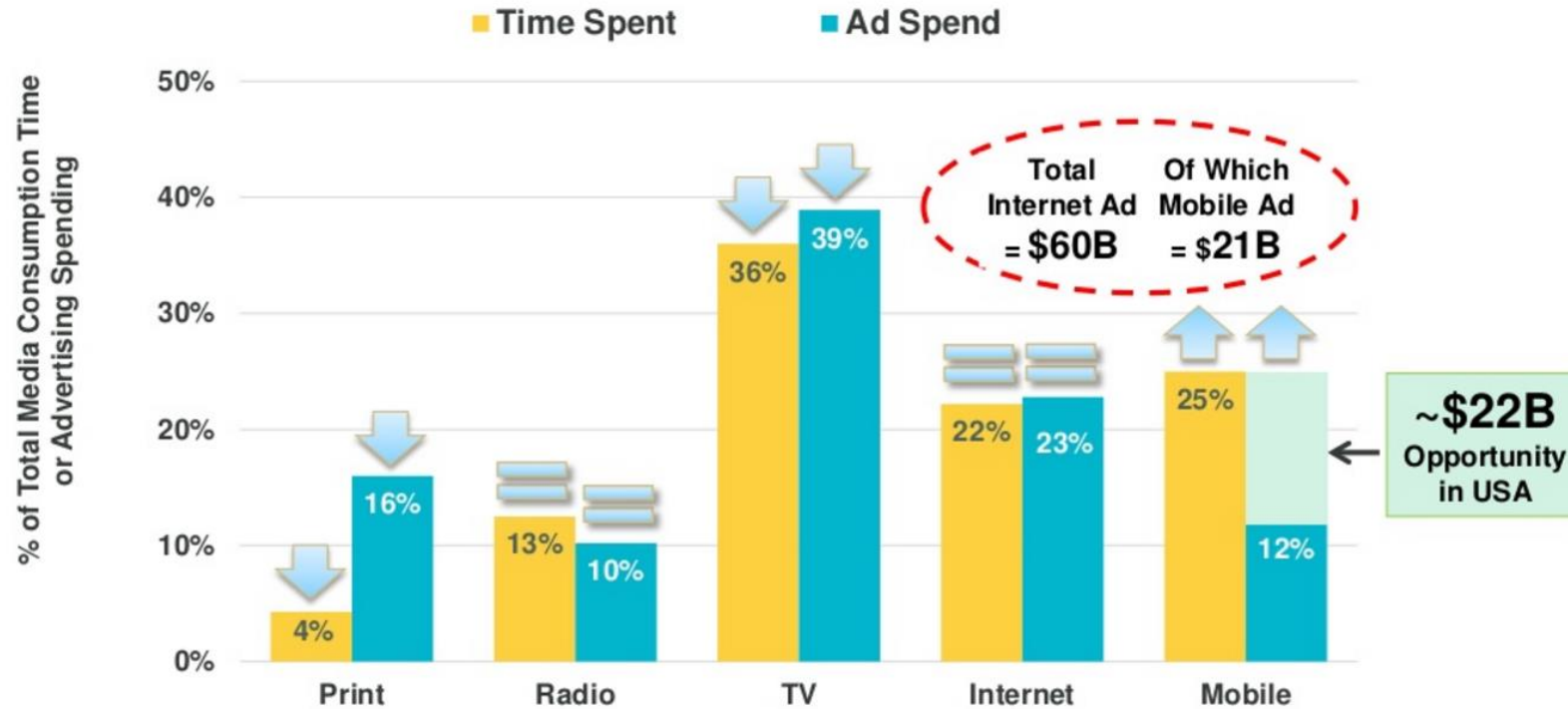
Source: eMarketer, April 2016

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Despite the shift in video viewership, advertisers still over-index on legacy media platforms

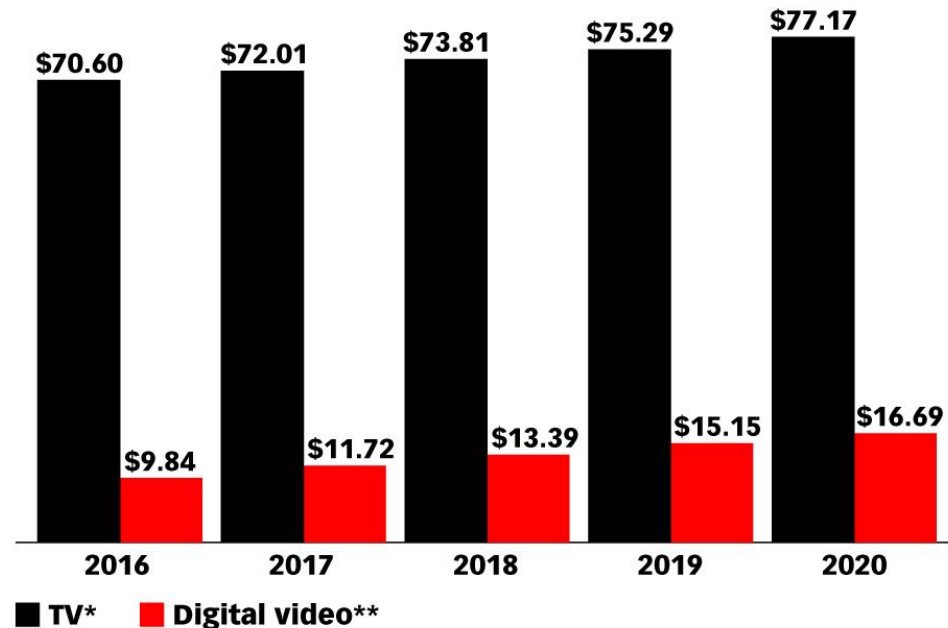
% of Time Spent in Media vs. % of Advertising Spending, USA, 2015



TV ad spend remains dominant, though digital video exhibits a faster revenue growth rate

US TV* vs. Digital Video** Ad Spending, 2016-2020

billions

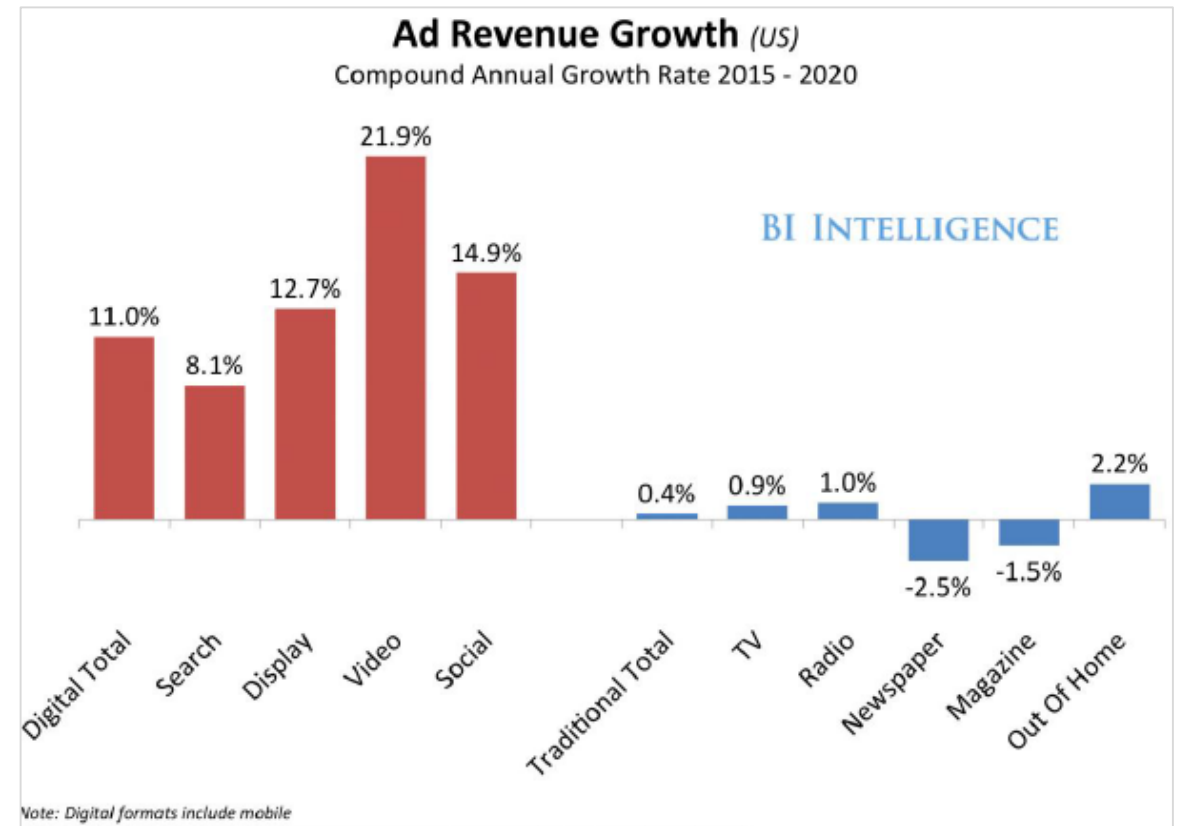


Note: *includes broadcast TV (network, syndication & spot) & cable TV;
**includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets and other internet-connected devices; includes advertising that appears before, during or after digital video content in a video player

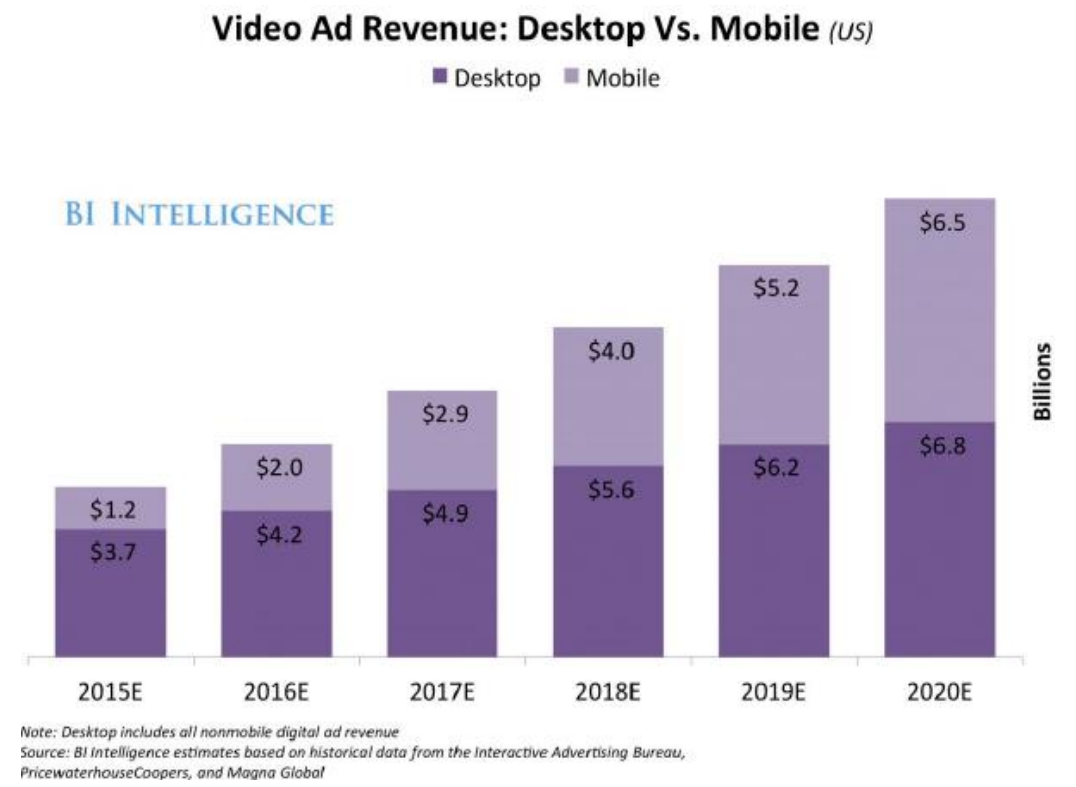
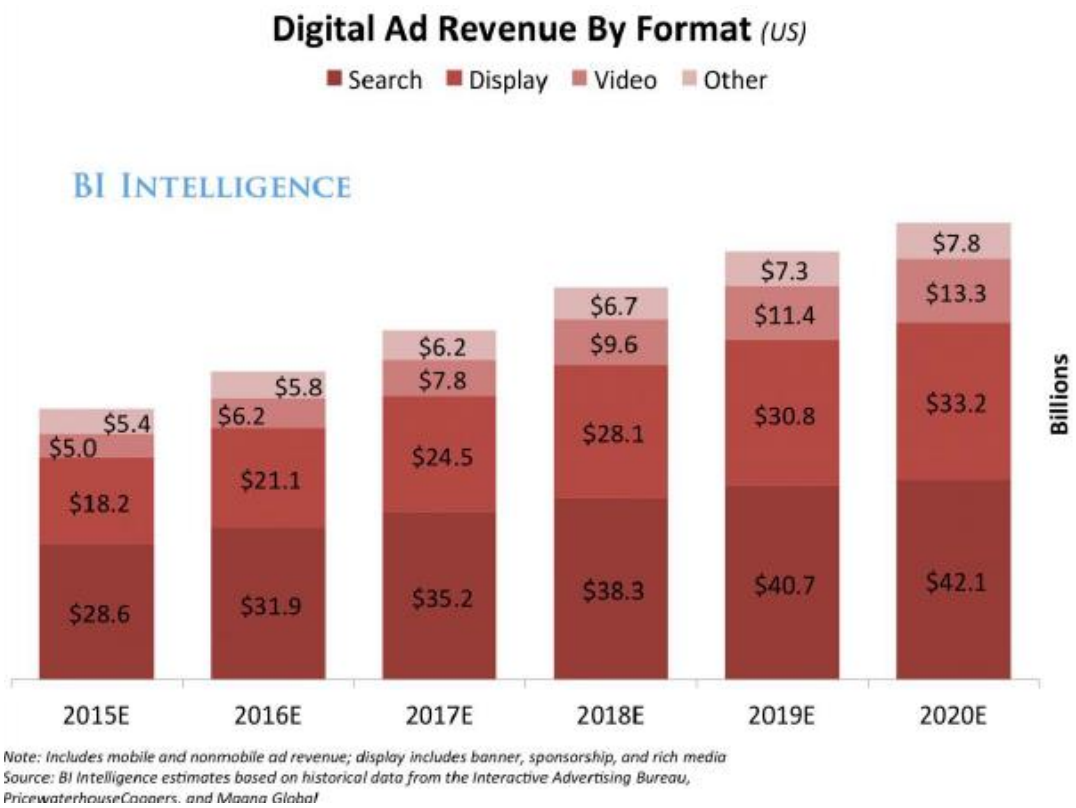
Source: eMarketer, March 2016

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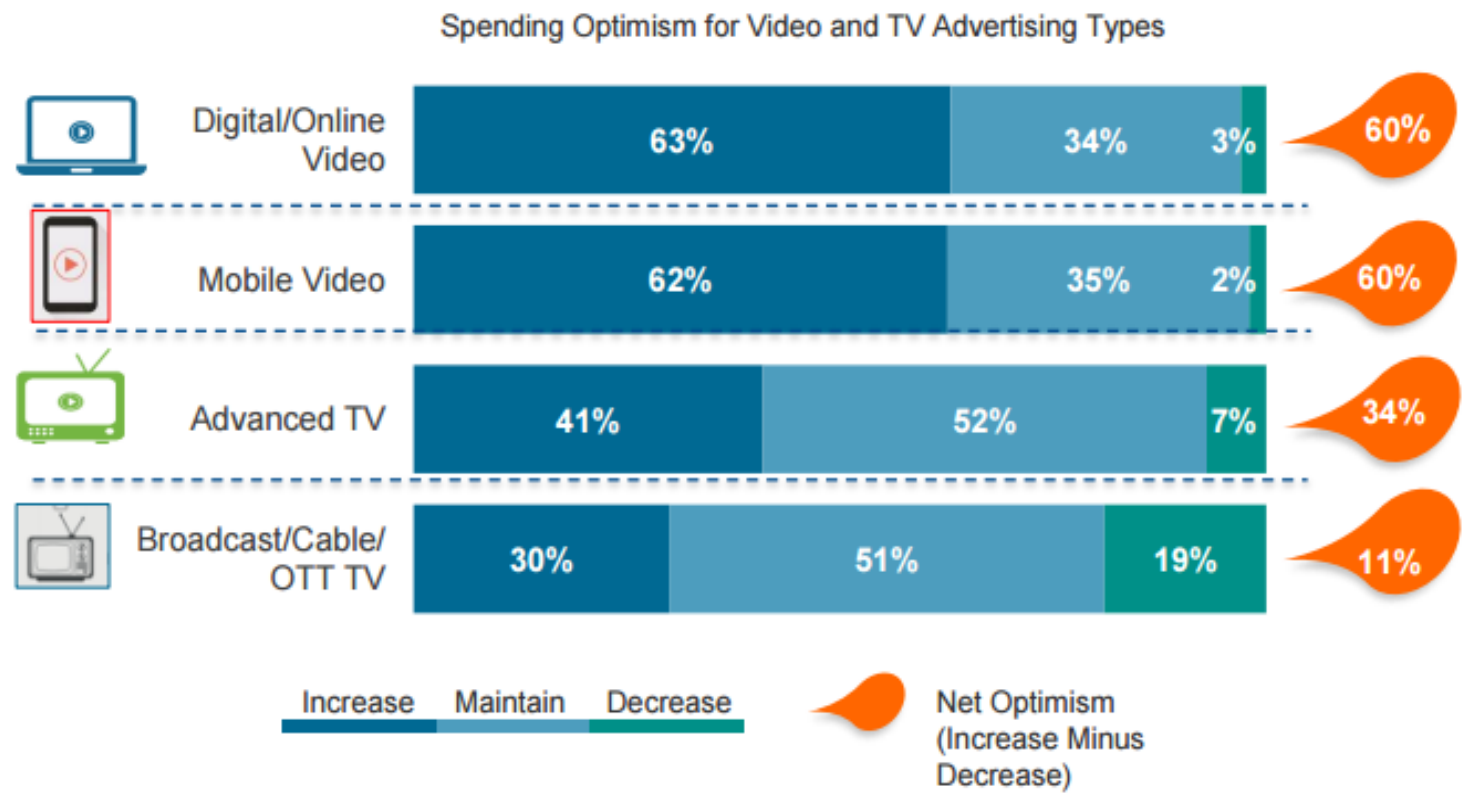


Mobile video is moving at a faster pace of revenue growth than desktop video

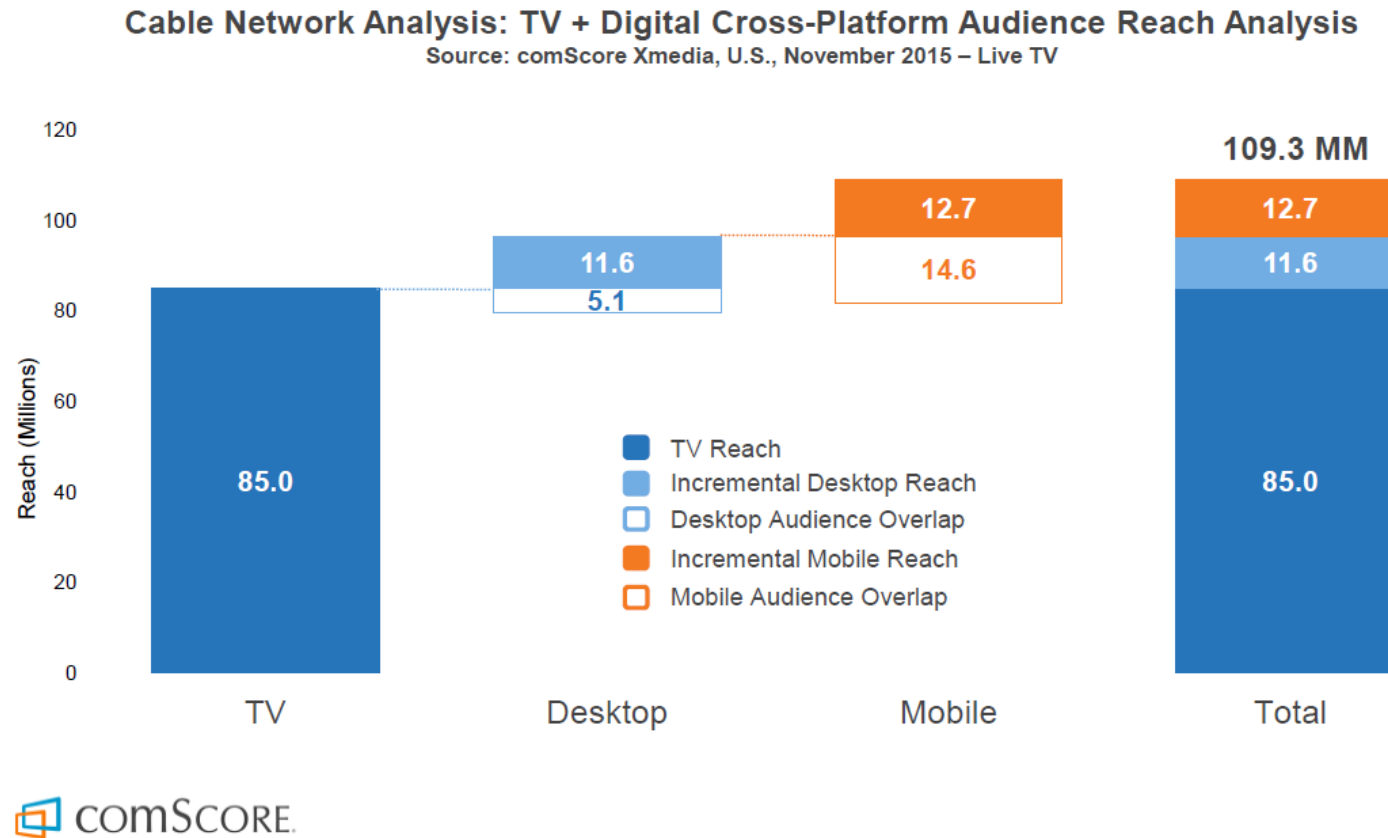


Ad buyers are optimistic about digital and mobile video while expecting to maintain current TV spend

In the next 12 months, would you expect the spend on the following to increase, decrease or maintain the same?



Cross-platform video buys (linear TV + digital video) extend unduplicated reach



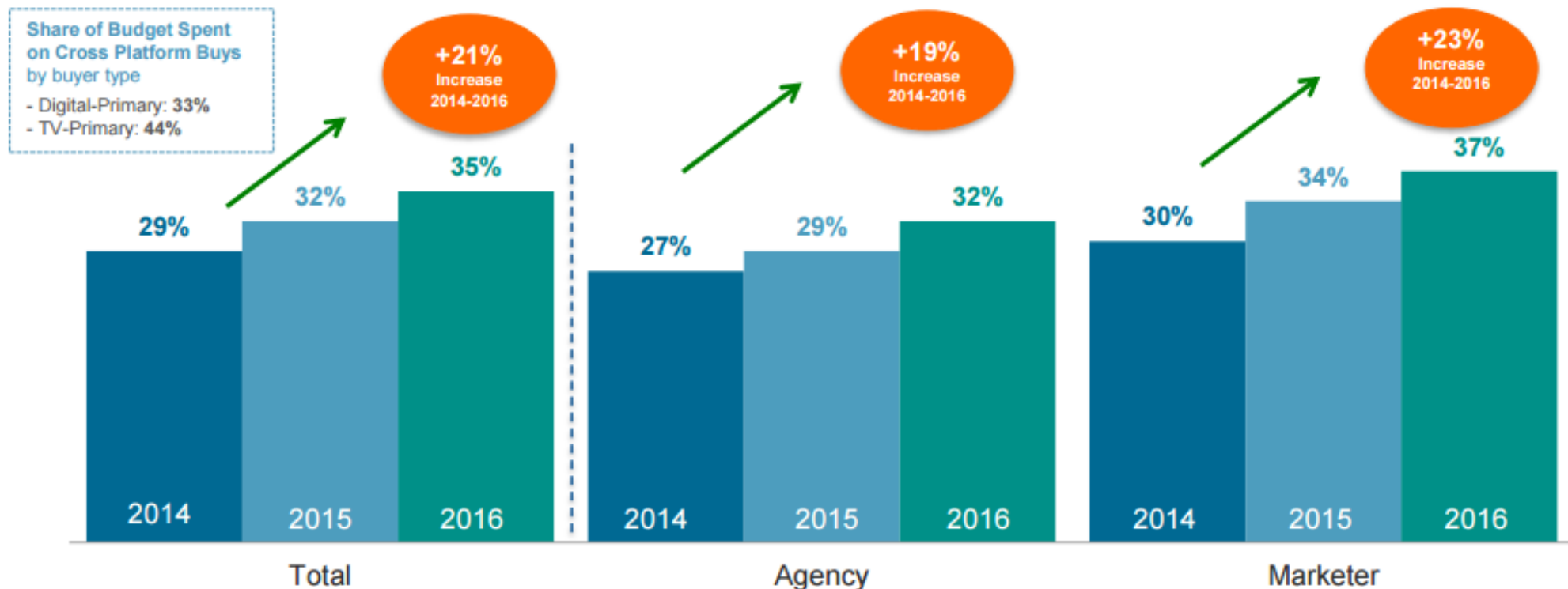
- A comScore analysis of 10 cable networks illustrates the incremental power of digital properties (*measuring actual viewership for a show across multiple platforms*), which covers nearly 1/3 of unduplicated reach on desktop and mobile.

Growth Opportunities

Looking across the video platforms and channels—traditional and new—opportunities to reach and engage consumers abound in this rapidly evolving video ecosystem. The report looks into a number of opportunities—Addressable TV, OTT, programmatic TV, Original Digital Video, and Live Video, to name a few.

Cross-platform video buying including both TV and digital video is trending up

Cross-platform video (TV and digital video) buy out of total ad budget (%)



Q180a What share of your advertising budget was spent on cross-platform buys (TV and digital video from the same programmer/TV network) in 2014? In 2015? And what share do you anticipate spending in 2016?

Base: Total Respondents

● = % Change in Share Spent on Cross Platform 2014 – 2016

Programmatic video sees a year-over-year double digit increase, and mobile will take the lead in 2017

- Programmatic transacting of video touts the benefits of rich and diverse data sources, efficiencies of automation, and transparency of targeting and reporting.
- In 2016, programmatic video ad spending will reach \$5.51 billion, representing 56% of total digital video ad spending. Programmatic mobile video ad spending will surpass desktop programmatic video for the first time in 2017.
- Despite all the promises of programmatic video, there is a clear need for education in the marketplace in order to choose and evaluate programmatic video solutions and partners. Questions to be addressed include: How does it work? Who are the players? How are the production and environment quality?

US Programmatic Digital Video Ad Spending, by Device, 2014-2017

billions, % change and % of total programmatic digital video ad spending

| | 2014 | 2015 | 2016 | 2017 |
|--|---------------|---------------|---------------|---------------|
| Desktop/laptop | \$0.44 | \$1.82 | \$3.03 | \$3.73 |
| —% change | 162.9% | 313.6% | 66.3% | 23.2% |
| —% of total programmatic digital video ad spending | 70.0% | 61.0% | 55.0% | 49.0% |
| Mobile* | \$0.19 | \$1.16 | \$2.48 | \$3.89 |
| —% change | 914.0% | 517.0% | 112.9% | 56.8% |
| —% of total programmatic digital video ad spending | 30.0% | 39.0% | 45.0% | 51.0% |

*Note: digital display ads transacted via an API, including everything from publisher-erected APIs to more standardized RTB technology; includes advertising that appears before, during or after digital video content in a video player; *ad spending on tablets is included*

Source: eMarketer, April 2016

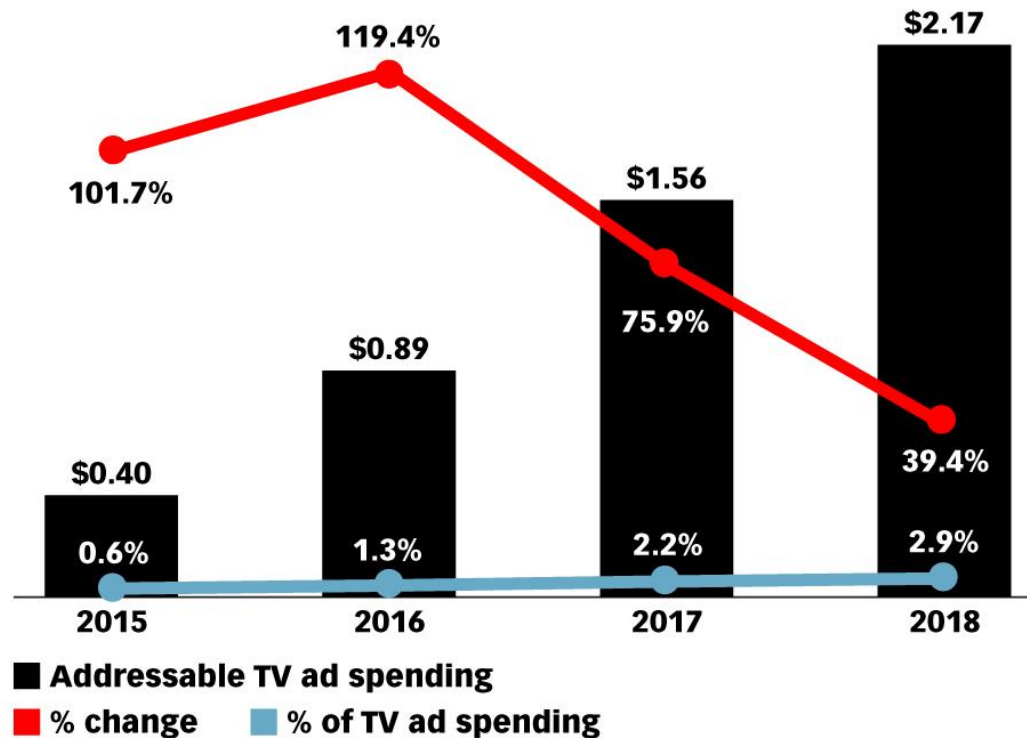
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Addressable TV spending, though still a small base, is set to double again this year

US Addressable TV Ad Spending, 2015-2018

billions, % change and % of TV ad spending



Note: targeted TV ads delivered on a home-by-home basis via cable and satellite boxes; includes video-on-demand (VOD); excludes connected TV, smart TV and over-the-top (OTT)

Source: eMarketer, June 2016

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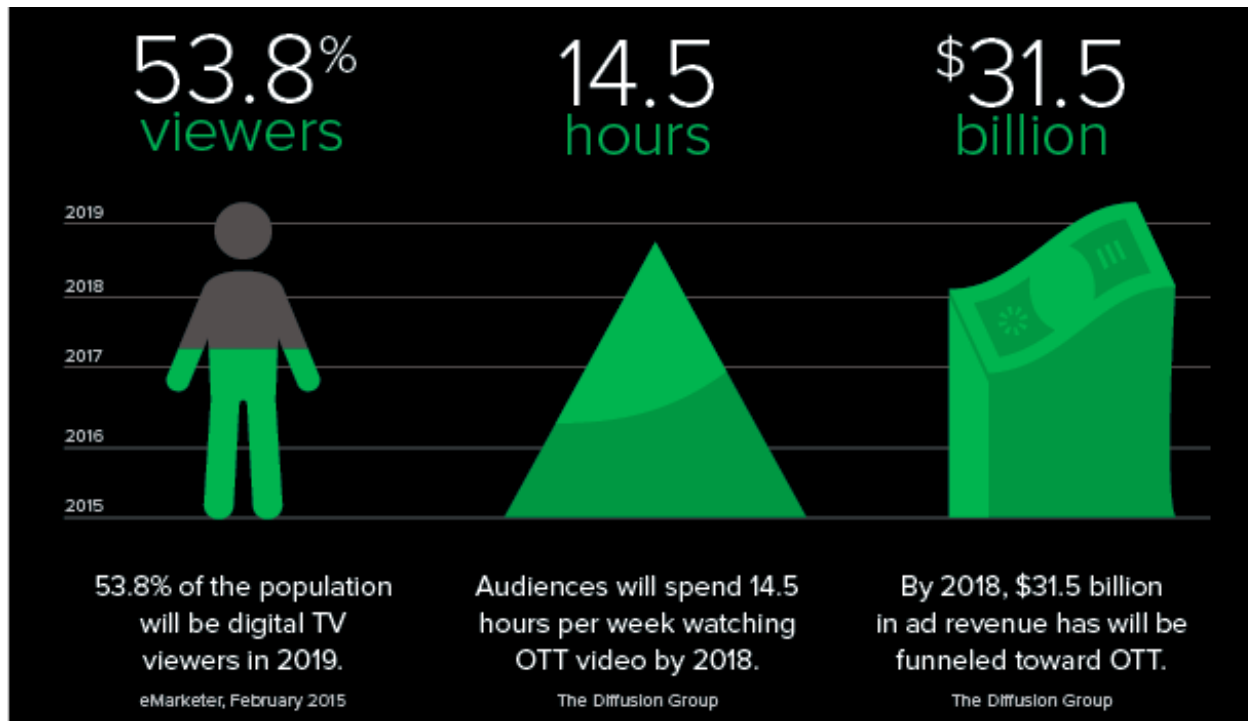
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- eMarketer estimates that 100 million U.S. households subscribe to pay TV services in 2016
- The universe of addressable TV households according to Starcom MediaVest Group is sized at 49.8 million for 2016. That translates into just under half of all pay TV households that can be reached with addressable TV ads
- Addressable TV households are distributed across several pay TV providers in the U.S.

OTT growth opportunity is clear as video content is increasingly delivered digitally to the TV screen

- Marketers cite that the top 5 major benefits of OTT ads are one-to-one targeting, geo-targeting, dynamic content, analytics, and interactivity

- eMarketer's 2016 report indicates OTT devices have a higher video ad completion rate than desktop/PC and mobile devices



US Digital Video Ad Benchmarks: Completion Rate, by Device, 2014 & 2015

among impressions served by Vindico

OTT device*



Desktop/laptop



Tablet**



Smartphone**



■ 2014

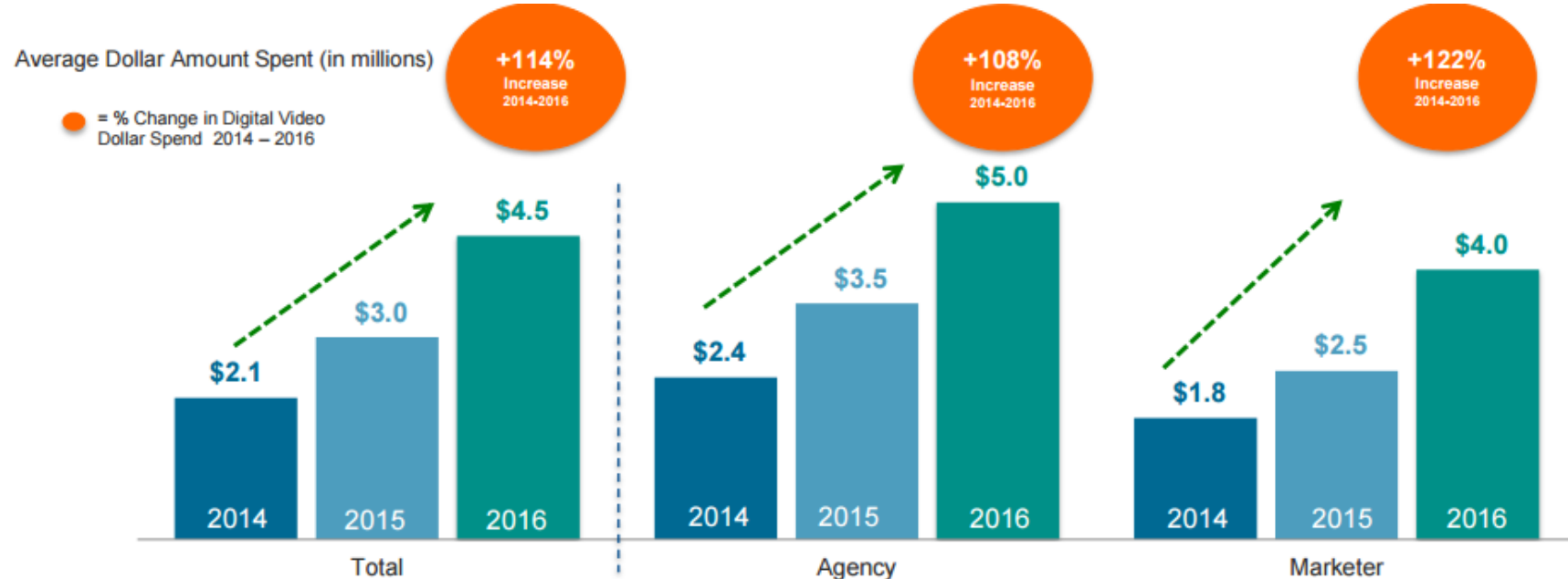
■ 2015

Note: represents activity on the Vindico platform, broader industry metrics may vary; *e.g., Apple TV, Roku, smart TV; **includes mobile in-app and mobile web

Source: Viant, "Video Insights Report: 2015 Year In Review," March 16, 2016

Original Digital Video annual average ad spend has more than doubled over three years

- **Original Digital Video** is professionally produced digital video content for digital delivery and consumption.
- In the context of video advertising, this report refers to ad-supported original digital video.



Q143. Previously you said your company will spend [INSERT RANGE] on digital/mobile video in 2016. We'd like to get a bit more detail on that and prior year's spending. To the best of your knowledge, what exactly was that spending amount in 2014 and 2015? What do you anticipate spending in 2016? Q145 What portion of your total digital video advertising budget for [your company's/your client's] biggest most important product or service in the [INSERT ASSIGNED MARKET SECTOR] market was spent advertising on each type of content in 2014 and 2015? And what do you anticipate those shares will be in 2016? Your column totals should add to 100%.

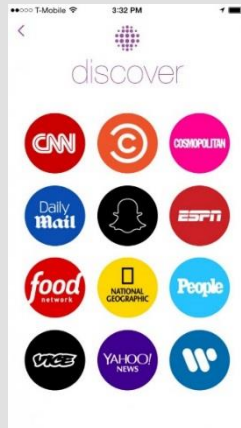
Base: Total Respondents

Background: In its fourth year, 2016 Digital Content NewFronts has expanded across 10 days showcasing the biggest number of digital video publishers (37 publishers in total), including 13 new publishers. It is estimated to have a total of 16,000 attendees.

New ad formats offer unique and engaging advertising experience to draw consumers to brands

Vertical Video

- Changing consumption patterns make vertical viewing on mobile more common rather than the exception
- According to Snap, vertical video ads have up to nine times more completed views than horizontal video ads
- Publishers and brands are increasingly experimenting and embracing the new shape to ads – Snapchat, Periscope, etc.
- More data and research will be needed to determine the best creative length for vertical video



Virtual Reality/Augmented Reality/360 Video



- The promise of immersive storytelling with Virtual Reality, Augmented Reality, and 360 video has led brand marketers to experiment with the formats
- Consumers have shown a high engagement and interactivity rate and time spent with the formats
- The VR install base is still small but growing. According to eMarketer, VR users worldwide will grow from 6.5 million in 2016 to 24.4 million in 2020

Live video is geared to tap into additional consumption and engagement potentials

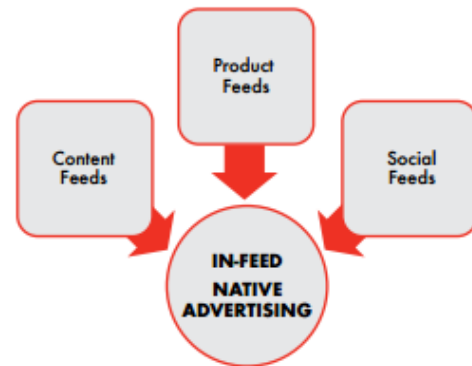
- Major platforms like Facebook, Snapchat, and Twitter are making a big push into live video.
 - Facebook has signed contracts with nearly 140 media companies and celebrities to create videos for its live-streaming service. Twitter has secured its position as the sole live-streaming service for all four major sports leagues, NFL, NBA, MLB, and NHL.
- Live video is expected to increase user consumption and engagement on the platform
- The actual return on investment of live video remains to be seen



In-feed native video is growing in popularity

- By 2021, native display ad revenue (including banner, rich media, sponsorship, and video ads) in the U.S., which includes native in-feed ads on publisher properties and social platforms, will make up 74% of total U.S. display ad revenue, up from a 56% share in 2016.
- A Nielsen case study illustrates that native video ads generate a higher brand lift than pre-roll video ads that carry the same creative message across five brand campaigns

Types of in-feed native ads



in social data such as friends who like the brand, followers, likes, number of views, and comments. Ad types vary across all categories.

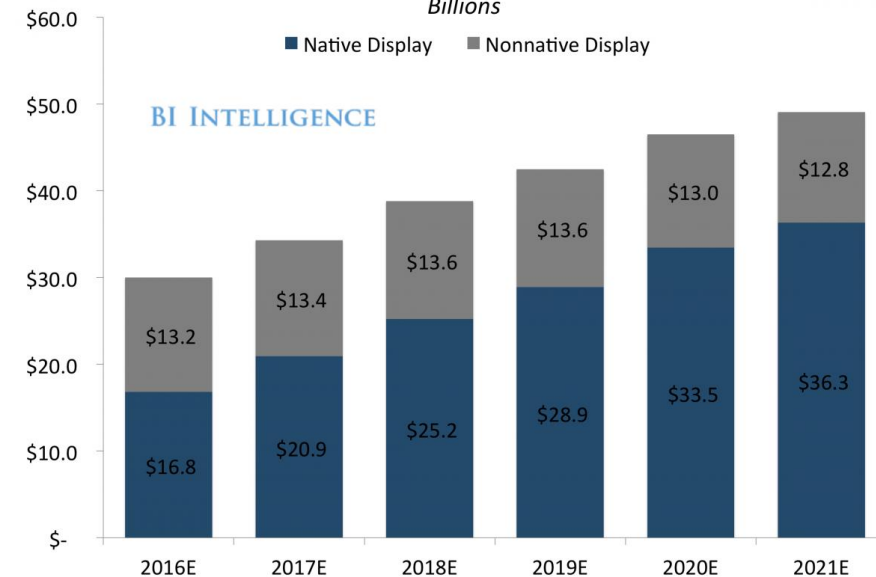
Content Feed: editorial sites, feed reader apps, and other content-focused apps designed with a news feed of articles, images, videos, or music. Ad types are primarily articles, images, or videos.

Product Feed: sites and apps that display product listings, service listings, or app listings. They contain product, price, reviews, and purchase information. Ads within these feeds are primarily products, services, or app installs.

Social Feed: include users' posts, businesses' posts, articles, photos, videos, and status updates. Ads on social feeds pull

US Native Display Ad Revenue

Billions



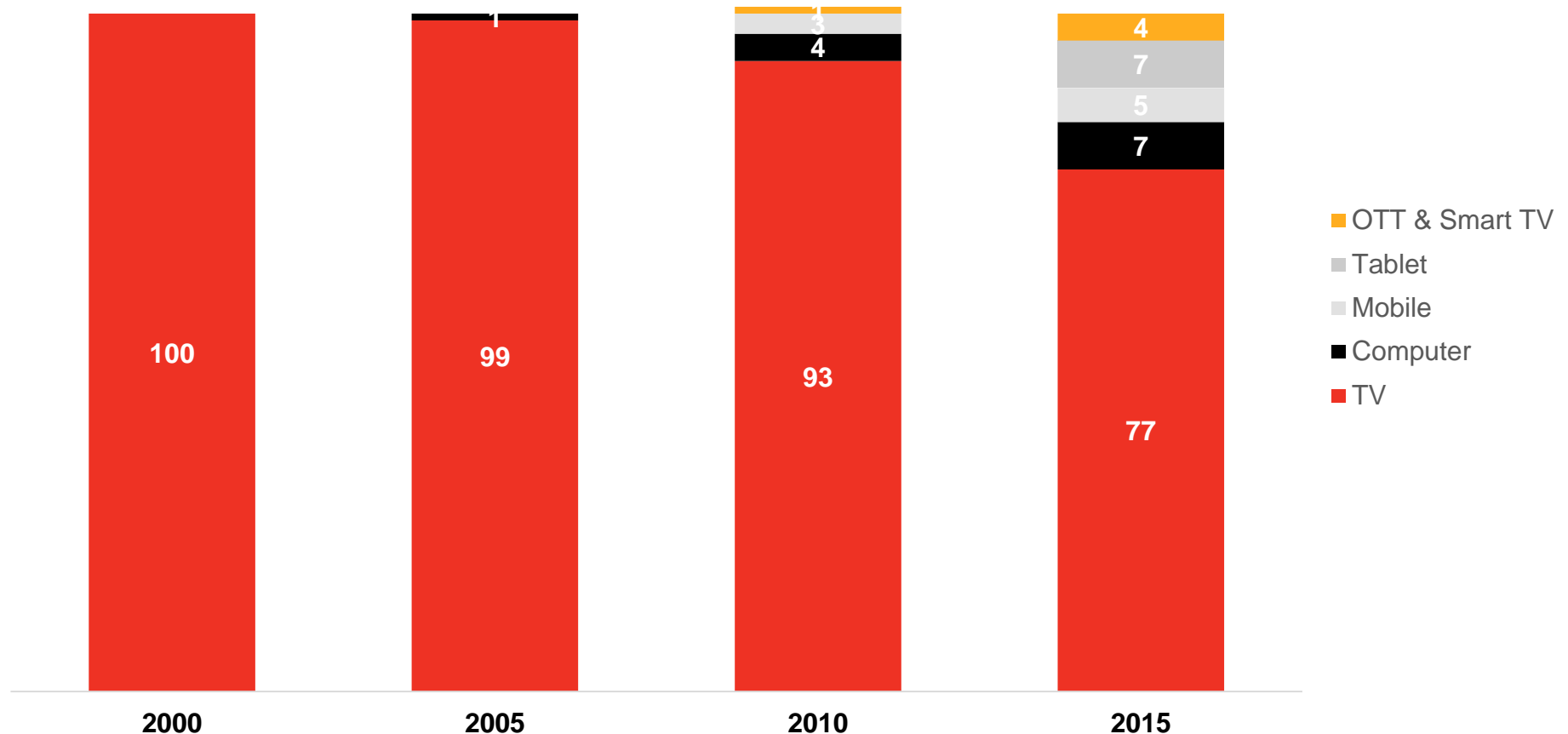
Note: Display includes all banner, rich media, sponsorship, and video ads
Source: BI Intelligence estimates based on historical data from the Interactive Advertising Bureau and PricewaterhouseCoopers, and IHS

Challenges

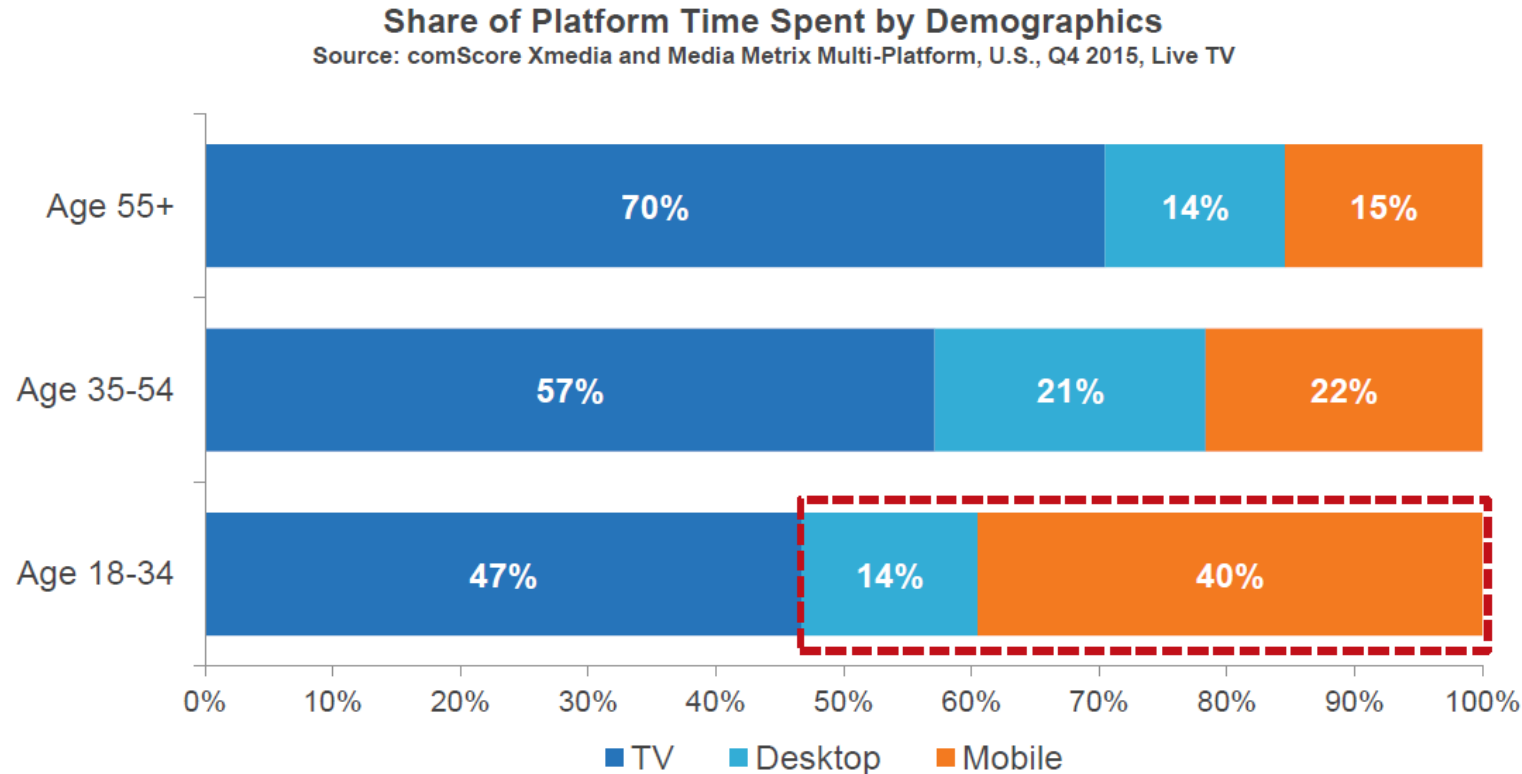
While opportunities to reach viewers have increased, we see challenges across traditional TV and digital video platforms due to consumers' behavior shifts and new technologies including audience fragmentation, digital and cross-media measurement, and ad avoidance.

Audience fragmentation has accelerated due to proliferation of devices and content sources

% of Time
Spent on
Devices
Watching
Video



Younger audiences are more fragmented, posing challenges to achieve scale on a single platform



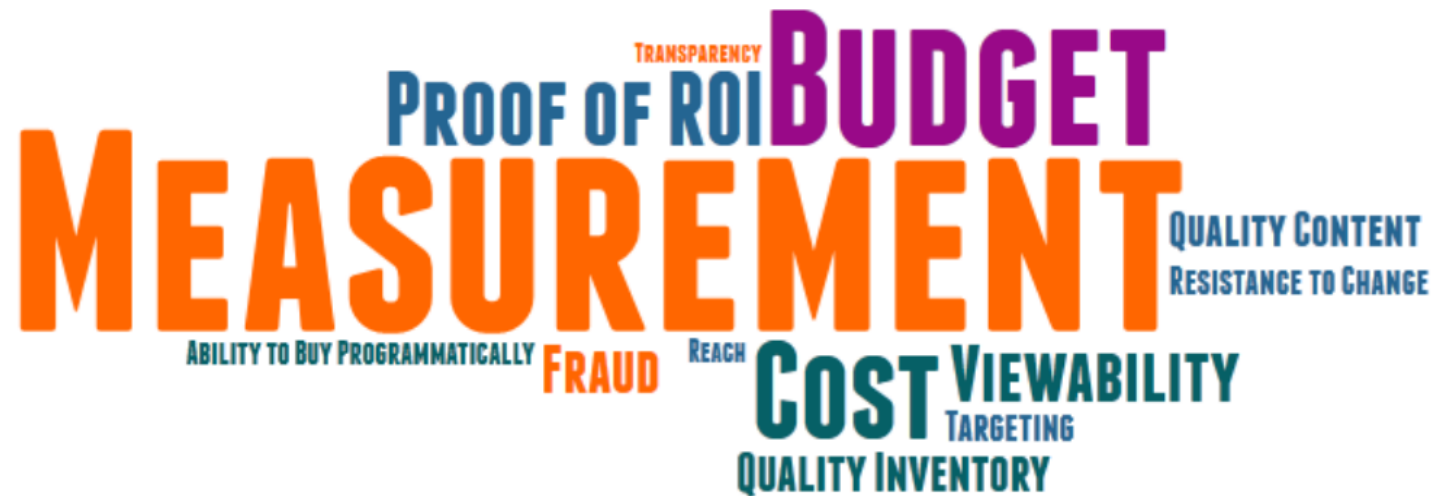
INSIGHT

There's a clear trend showing that as demographic segments get younger, those consumers are more likely to spend time on their mobile device and less likely to spend time watching Live TV. It's possible that digital share of time spent among 35-54 year-olds might also soon surpass Live TV.

Within digital video, lack of standardization in measurement causes market inefficiency and confusion

- In the 2016 IAB Video Ad Spend Study, measurement is cited as the biggest challenge to digital video buying among ad buyers
- The variances in digital measurement results and lack of standards have created friction and inefficiencies in selling and buying digital video
- To name a few, digital video measurement challenges include varied definitions of a 'view', lack of agreement on viewability, and which engagement metrics matter

Biggest obstacles to digital/mobile video advertising to ad buyers



EXAMPLE: What constitutes a digital video ad view? Currently in the marketplace, the definition varies from publisher to publisher – some follow one second threshold, some follow three seconds; some are using the ad load, some are using the ad call; some have autoplay, some have user-initiated start.

Lack of comparable metrics between linear TV and digital video causes frictions and confusion in cross-platform buying and planning

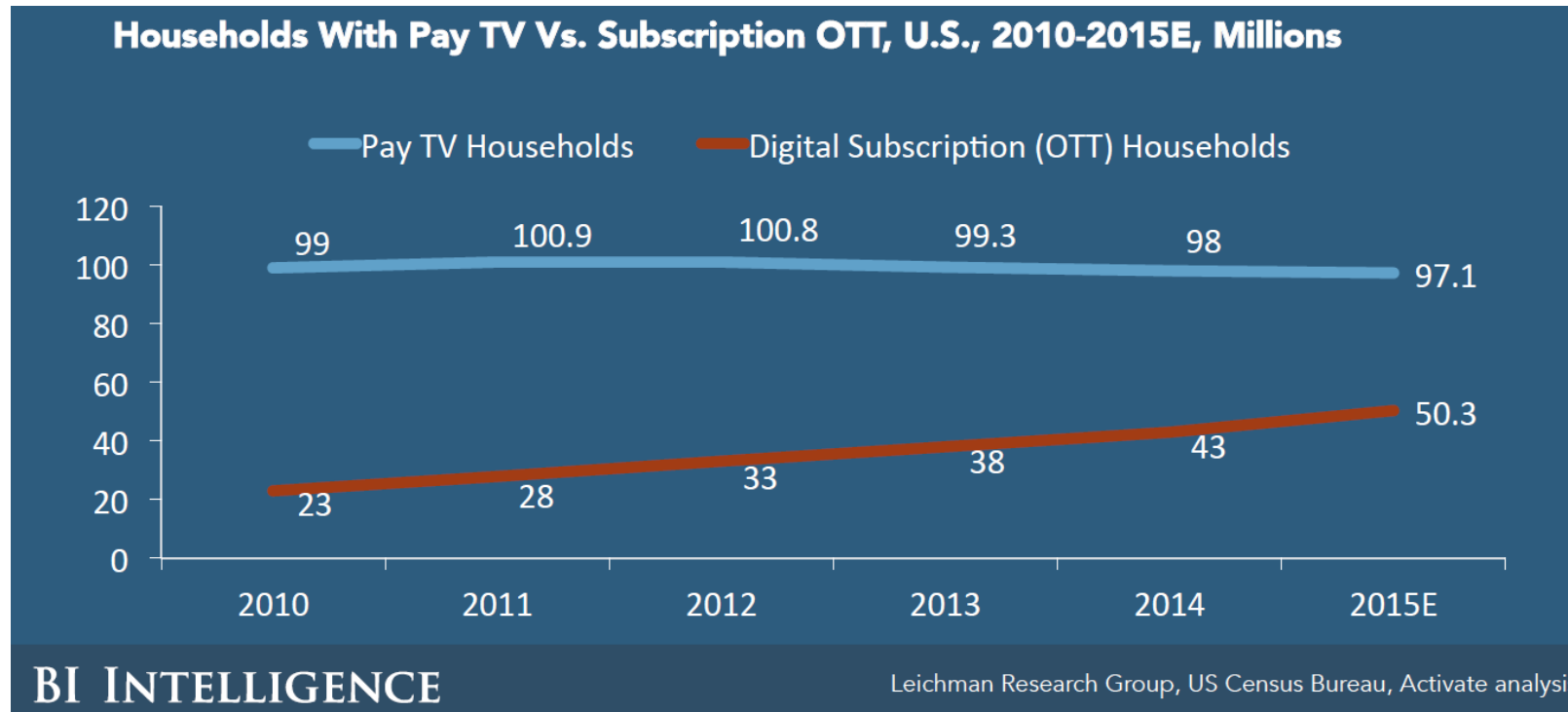
- The metrics used to measure video on linear TV and online are vastly different. Without comparable metrics, it's hard for media buyers and planners to assess the relevant value of cross-platform ad inventories
- The lack of consensus and standards presents a barrier and friction point to significant investment decisions based on a solid and accurate understanding where and to what extent audiences are watching TV and digital video
- The industry has yet to create a standardized cross-media, cross-platform audience currency to measure cross-screen video in totality

There's A Need To Reconcile Digital Metrics With TV Measurement And Speak One Common Language To Level The Playing Field

Why? Because...

| <u>Digital</u> | | <u>Television</u> |
|----------------------------|---|---------------------------|
| Streams | ≠ | Average Audience (rating) |
| Unique Viewers | ≠ | Average Audience (rating) |
| Video / Page Views | ≠ | Average Audience (rating) |
| Global Stats | ≠ | U.S. Audience (universe) |
| First Party Unaudited Data | ≠ | Third Party Audited Data |

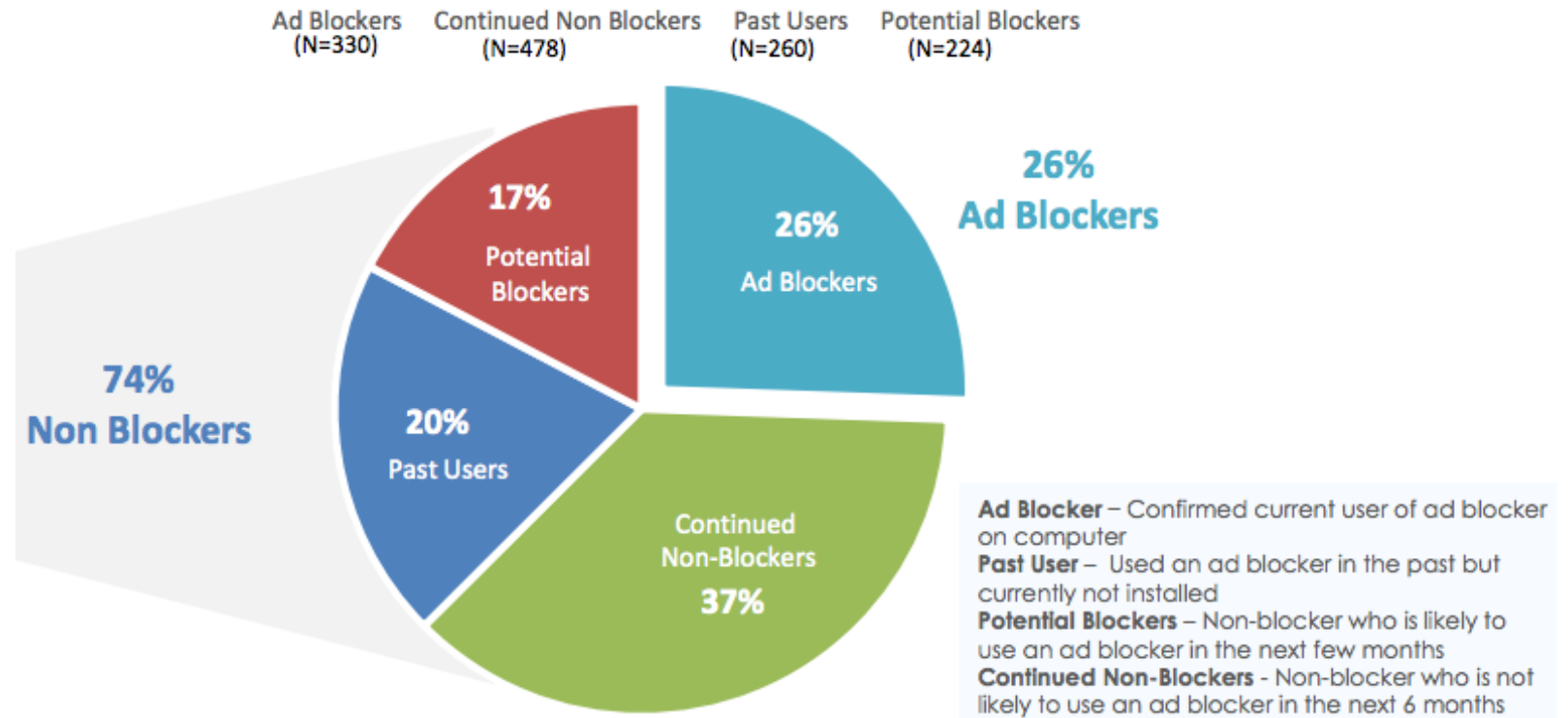
Pay TV subscription has experienced a gradual decline, though the rate varies by viewer cohort



- According to the Pew Research Center “Home Broadband 2015 Report,” 76% of U.S. adults subscribe to a TV/satellite service, and the rate varies by age. 65% of those ages 18 to 29 have cable or satellite service at home, compared with 73% of adults ages 30 to 49 and 83% of those 50 or older.

Consumer behavior of ad blocking/avoiding, enabled by technology, is another challenge

- Although the ad avoiding or skipping behavior is not completely new to video, technology has granted more power and control to audiences to enable ad blocking
- IAB research identifies that more than a quarter of U.S. adults are currently using ad blockers on a computer



Emerging Trends

The confluence of consumer behavior and technology is driving current and emerging trends that push and shape this evolving video landscape. The industry needs to have deeper understanding of the shift in consumer dynamics and technology proliferation to better leverage the trends that may have a significant impact on video advertising's future.

Convergence of video consumption and distribution has taken place to drive new advertising opportunities

Consumer-led **consumption** behavioral shift is here to stay. The boundaries are blurred across screens.



Distribution and **creation** of content is disrupted and is an open game for traditional and digital players.



Cross-media **currency** and **standardization** efforts are well underway to keep up with the changing landscape.

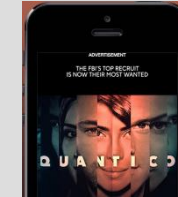


Rapid, massive, media and technology **consolidation** and **partnerships** will further blur the boundaries.



Empowered by technology and choice, consumers are in control and demand quality content and advertising experiences

The bar for **content quality** is getting higher and higher. Audiences are wielding control over the life and death of any piece of content.



Creative quality and diversity is critical to success in an increasingly cross-platform, programmatic marketplace.



Striking a balance between **user experience and value** to advertisers will be a continuous effort.



Data is playing a pivotal role in audience buying, targeting, and measurement for both traditional TV and digital video.



Industry Actions For Consideration

Though this video landscape report is not meant to be a guide, we suggest the following industry-wide actions for consideration based on the understanding of the opportunities and challenges of the current video ecosystem:

- **Education:** Educate the marketplace on cross-platform planning and buying, new ad formats, and platforms.
- **Measurement:** Work on digital and cross-platform audience measurement to understand the relative value of cross-platform inventory across disparate platforms and differing measurement solutions.
- **Content and Creative Best Practices:** Create a 'Creative Lab' with various examples of cross media campaigns, brand objectives, and creative executions.
- **Content Distribution and Discovery:** Continue the research and development efforts to improve content discovery across various digital platforms and devices.

Closing Thoughts

- The sight, sound, and motion of video storytelling has unique advantages in attracting and engaging consumers, and driving actions. Convergence of traditional TV and digital video consumption behavior is taking place and impacts advertising planning, selling, and buying. This confluence of consumer behavior and technology will continue to propel the industry to adopt a holistic view of video while recognizing the differences by consumption, platform capability, content type, and audience segment, but also the tremendous value of the medium as a whole.
- The IAB Video Center of Excellence will continue to understand, define, and simplify the changing video advertising landscape to educate and guide the marketplace to leverage video's full potential. We aim to keep this landscape report an evolving document with bi-annual updates to refresh insights.

Additional Resources

In addition to this video landscape report, below are additional IAB Video Center resources to understand the video ecosystem:

- [Is Virtual the New Reality](#)
- [Programmatic Video: A Spectrum Of Automation](#)
- [Digital Video Glossary](#)
- [Open Video Viewability](#)
- [Digital Video In-Stream Ad Format Guidelines](#)
- [Multiscreen Video Best Practices](#)
- [2016 Video Ad Spend Study](#)
- [2016 Original Digital Video Study](#)
- Tech Standards: [Digital Video Suite](#) [VAST 4.0](#) [VPAID 2.0](#) [VMAP](#)

Thank You

Please address any questions or comments to Maggie Zhang, maggie.zhang@iab.com
and Victor Silva, victor@iab.com.