A Forrester Consulting
Thought Leadership Paper
Commissioned By Videology

March 2016

TV And Digital Video Evolve As Complementary Allies

Race To Overcome Obstacles To Converged Advertising And Quantify Value Of Cross-Screen Strategies

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Executive Summary

The way that consumers watch video content is in an ongoing state of upheaval. Counting on effectively reaching your customers on their couches during primetime is counting on missing many of them, as many viewers prefer to watch their shows at a different time and place of their choosing.

When we first investigated these changes back in 2013, viewing was in an upheaval, and the industry was aware but cautious. In an industry that is changing as rapidly as television and video viewing, two years is an incredibly long time. So we wanted to look again and see where we are now.

In December 2015, Videology commissioned Forrester Consulting to evaluate current buyer and seller attitudes and behaviors toward video and TV advertising. Forrester developed the following hypothesis: Advances in technology, application of data, and the increased adoption of cross-screen video consumption will lead to holistic planning, buying, and selling across digital video and linear television. This will increase advertiser ROI and drive revenue gains for media companies, continuing their advancement since 2013.

Forrester conducted a comprehensive survey of 100 decision-makers at US advertisers, agencies, and media companies, including both traditional and online-only video content producers. To qualify for the survey, advertisers' companies had to earn a minimum of $250 million in revenues, agencies had to represent a national customer profile, and media companies had to be listed as one of the top 500 online sites for web traffic. Forrester also conducted 10 in-depth interviews with decision-makers with these groups to explore the challenges and opportunities video advertising presents.

KEY FINDINGS

Forrester's study yielded five key findings:

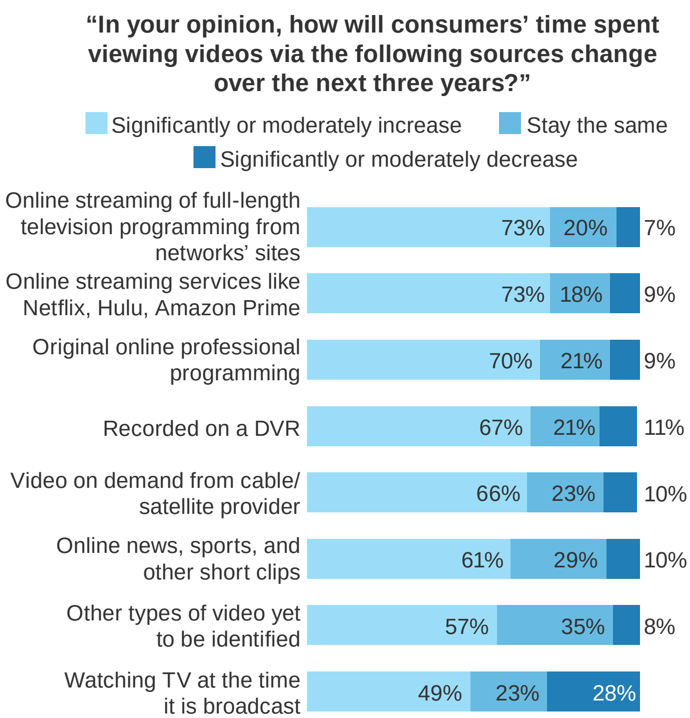
- **Digital video is set to keep growing, and the outlook on linear TV has improved.** Three years ago, the vast majority of buyers and sellers said that digital video consumption would increase and linear TV consumption would decrease or stay the same. In 2016, buyers and sellers are still projecting growth for digital video, but their outlook on linear TV has improved. Nearly half of buyers and sellers feel time spent with linear TV will increase in 2016.
- **Buyers and sellers want the best of both worlds.** As ad dollars continue to shift from investing in linear TV to growing and proliferating online channels, experiences with digital video are shifting expectations for all video advertising. Buyers and sellers expect video advertising to become more technology-driven, programmatic, and direct-response oriented.
- **Aspects of digital video and linear TV buying are set to merge, but it will take time.** Buyers and sellers see digital agencies leading video buying, but with linear TV buying models still dominating over the next three years. Seventy-one percent also expect digital video and linear TV planning to merge.
- **Video measurement is highly fragmented, which poses a significant challenge.** Buyers and sellers must currently use a variety of measurement providers to fully track their video advertising programs. The proliferation of data, screens, and measurement providers is creating greater complexity for determining the value of video advertising.
- **Fraud and viewability both represent risk and opportunity.** Concerns over fraud and lack of control for viewability are likely to keep buyers from investing more fully in video; however, media companies that successfully manage for these concerns are able to charge more for their inventory, and buyers are willing to pay more as well.

Buyers And Sellers Are Adapting To Shifting Consumer Video Trends

CONSUMERS COMPLEMENT LINEAR TV WITH INCREASED DIGITAL VIDEO WATCHING

The buyers and sellers in our study are preparing for a rise in nonlinear video viewing. Both buyers and sellers agreed that consumers will spend more time viewing video using online sources. Seventy-three percent of buyers and sellers predict consumers will increase consumption of online streaming of full-length shows from networks and online streaming services, and 70% feel consumers will spend more time with original online professional programming. That said, these online sources are set to complement, rather than replace, linear TV. Almost half of buyers and sellers feel consumers will spend more time watching TV at the time it is broadcast (see Figure 1).

FIGURE 1
Buyers And Sellers See Digital Video Channels Playing Bigger Role In Overall Video Consumption



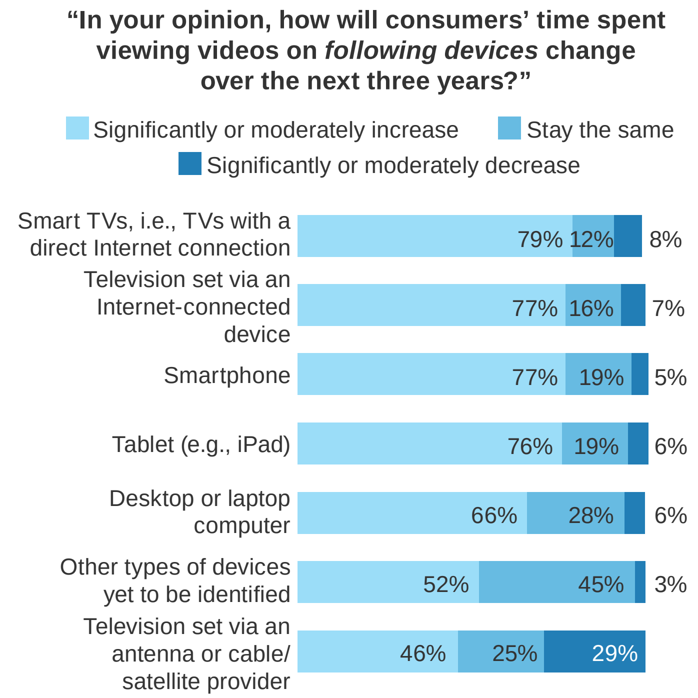
Base: 107 advertisers, agencies, and publishers/media companies in the US

(percentages may not total 100 because of rounding)

Source: A commissioned study conducted by Forrester Consulting on behalf of Videology, February 2016

Our study also examined how buyers and sellers saw consumer trends affecting the devices that video is delivered on, from digital antenna or set-top boxes to mobile platforms. These responses paint a similar picture. Seventy-nine percent of buyers and sellers believe consumers will increase time spent with smart TVs; 77% predict an increase in watching TV through an Internet-connected device; and 77% predict an increase in smartphone watching. And again, while online video is expected to grow, traditional TV isn't going anywhere — 46% see an increase in how much time consumers will spend watching TV via set-top box or antenna (see Figure 2).

FIGURE 2
Connected Devices Playing A Bigger Role



Base: 107 advertisers, agencies, and publishers/media companies in the US

(percentages may not total 100 because of rounding)

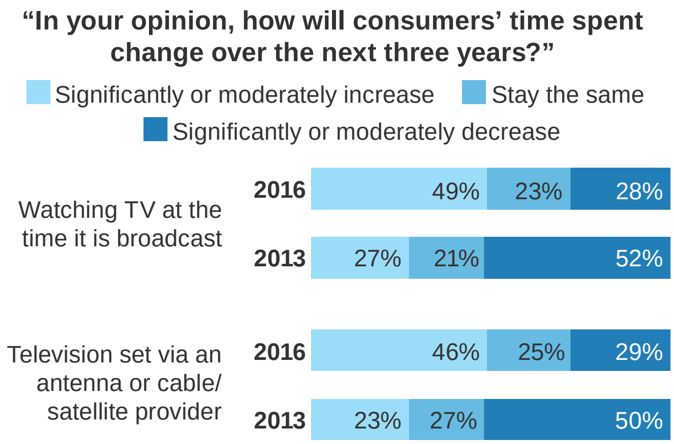
Source: A commissioned study conducted by Forrester Consulting on behalf of Videology, February 2016

Interestingly, this outlook on linear TV has improved from 2013. In our prior study, only 27% of buyers and sellers thought consumers would spend more time with linear TV in the future. Furthermore, we see similar trends looking at devices. Buyers and sellers are consistently adjusting their outlook for devices compared with 2013, when only 23%

thought time spent watching video on a TV set via antenna or set-top box would increase (see Figure 3).

FIGURE 3

Respondent Outlook On Linear TV More Optimistic Than In 2013



Base: 107 advertisers, agencies, and publishers/media companies in the US (2016)

Base: 150 advertisers, agencies and publishers/media companies in the US and Canada (2013)

Source: A commissioned study conducted by Forrester Consulting on behalf of Videology, February 2016

Overall, our respondents are painting a picture where consumer viewership via nonlinear sources and devices is set to continue over the next three years, but it is not as likely to cannibalize linear-TV viewing as what we've seen since 2013. This may be driven by strong linear programming, or the "Golden Age of Television," and that online streaming most often complements, rather than displaces, linear TV in consumers' lives.

BUYERS AND SELLERS SEEK TO INCORPORATE THE BEST OF BOTH WORLDS

As consumer viewing habits continue to change, buyers and sellers need to adjust the way they approach video advertising as well. Our study found they tend to agree on a few key topics, including shifting budget allocation, a heavier focus on programmatic approaches, and increased expectations around video ad performance.

> *"Three years from now, as advanced TV becomes the norm and as networks and ad tech companies invest, TV will be bought on more of an exchange basis than it is today."*
>
> — Senior director of media and digital, US food manufacturer

Buyers and sellers agreed on the following key future trends:

- **Dollars will shift from linear TV ads to new video options.** More than three-quarters of buyers and sellers agreed that advertisers are set to shift dollars from other media into new video options, compared with the 70% who said the same in 2013. Furthermore, 71% believe that dollars will shift to new video formats from linear TV budgets in particular, compared with the 65% who agreed three years ago.

- **Video buying will emphasize programmatic approaches.** Seventy-two percent of buyers and sellers said that video buying will become more programmatic in the next three years, which is about the same number who said so in 2013. Programmatic buying gives marketers the ability to adapt to constantly shifting consumer behavior across devices, leveraging data and technology. Media companies have raced to meet demand and expect they will continue to focus on building their programmatic capabilities in the years to come

- **Technology will be a major differentiator.** The technology ecosystem available for programmatic media buying is rapidly evolving to include a host of services, from demand-side platforms (DSPs) to supply-side platforms (SSPs) and cross-channel attribution modeling tools.[1] More than three-quarters of the buyers and sellers in our study, noting the increased availability and sophistication of these tools, believe technology will play a major role in deciding who wins and loses in video advertising in the future — up from the 66% who agreed in 2013.

- **All advertising will become more direct response-oriented.** Nearly 80% of buyers and sellers said that advertising in general will emphasize direct response objectives. Video advertising has long been associated with branding objectives, and that should continue. However, with increased programmatic buying supported by more sophisticated customer targeting, the ability to influence customers more directly enables a greater focus on direct response. Also, the growth of buying shorter digital video ads (compared with longer-form traditional video spots) and applying personalized, interactive overlay capabilities on video will help drive this trend.

BUYERS PICK INTERACTIVITY AS KEY VIDEO OPPORTUNITY

Buyers are looking to greater interactivity and audience engagement to drive success of video campaigns in the future. Dynamic creative optimization will be key in achieving greater interactivity and engagement, by leveraging data to deliver more personalized ads and overlays. Agencies are most likely to cite ad interactivity (54%) as being the most important driver of success in video advertising. Advertisers are most likely to say that higher audience engagement (50%) would drive success in the future.

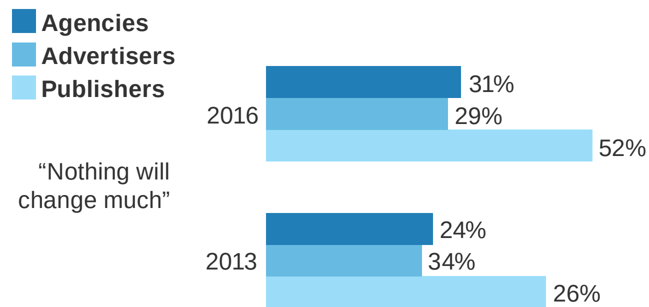
Media companies are most focused on reaching customers who haven't been exposed to TV ads, with 58% selecting it as their top driver of success. While this is important for advertisers who are looking to execute cross-screen campaigns, it didn't rank as highly important for a majority of advertisers or their agencies. Media companies should realize their buyers have taken multiscreen video as table stakes and are ready to go even further, for instance, by incorporating advanced metrics like engagement into the equation.

ARE SELLERS "CHANGE FATIGUED"?

Over half of media companies in the study said they don't expect much to change in video advertising over the next three years, compared with about a third of advertisers and agencies. That's twice the rate of media companies that said this in the 2013 study (see Figure 4).

FIGURE 4
Media Companies Putting The Brakes On Change

"As the way consumers view videos changes over the next three years, how will this affect video advertising?"
(Showing "agree" and "strongly agree" only)



Base: 107 advertisers, agencies, and publishers/media companies in the US

Base: 150 advertisers, agencies and publishers/media companies in the US and Canada (2013)

Source: A commissioned study conducted by Forrester Consulting on behalf of Videology, February 2016

Media companies have been ramping up their capabilities in the face of increased demands for programmatic media buying. With change as the new constant, they may expect in the coming years to continue down the path of transformation that they have already started on with programmatic video. There is still much to be achieved until all the systems and processes that accompany programmatic video work seamlessly across channels, and this will need to be firmly established before moving on to the next big shift. For now, it seems media companies are focusing on full incorporating the changes to business models currently underway.

HOW WILL VIDEO AD BUYING MODELS CHANGE?

As consumer video habits shift and buyers and sellers embrace new capabilities to adapt, will the underlying structure of how video ads are bought and sold move with it?

Over 70% of the media companies, agencies, and advertisers in our study said that digital media agencies will come to lead all video buying (linear and digital) in the next three years. However, 67% of agencies, 62% of advertisers, and 58% of media companies also believe online video buying will become more like linear TV buying over that same period of time.

Understanding how these somewhat counterintuitive predictions could occur means bearing in mind the timeframe — the market predicts that three years will not be enough time to fundamentally change the economics of the video market. During that time, heavier TV versus digital video budgets will likely continue to lighten but still remain in place. As one interviewee put it:

> "It really could take decades. The main challenge is there isn't a unified way to measure or buy video across all devices. Ultimately, the strategy for a big buyer [is] you want to be buying [both kinds of] video, but there really isn't a way to do that today. It might take demands from large CPG clients or auto — the biggest advertisers that run across these channels to demand the industry keep up. It's incumbent upon the agencies to work with media providers to figure out what standards to put in place."
>
> — *Senior manager for sales development at a major US media company*

Eventually, the models should shift to favor digital video approaches, especially in light of the innovations in measurement and targeting that digital has brought to bear. In our 2013 study, 70% of buyers and sellers said video and TV buying and planning would merge. Today, 71% believe it has happened, and 75% believe the separation between digital video and TV planning will continue to shrink in the next three years.

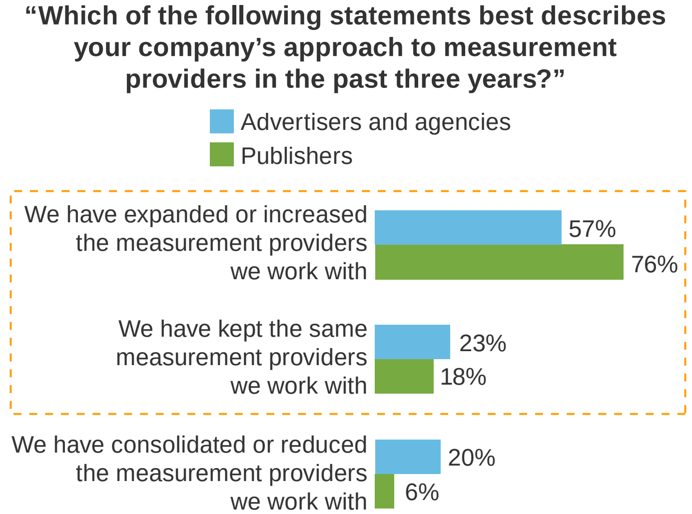
The Video Measurement Landscape Is Highly Fragmented, Affecting Video Spend

A highly fragmented media measurement landscape is causing challenges for buyers and sellers today. These challenges are associated with the proliferation of measurement technologies that are meant to report on a multitude of data across an increasing number of screens.

Our study found that media companies, on average, use more measurement providers. Overall, buyers are using an average of 3.12 measurement providers today, while media companies are using an average of 4.85.

FIGURE 5

Buyers And Sellers Have Been Adding Measurement Providers



Base: 107 advertisers, agencies, and publishers/media companies in the US

Source: A commissioned study conducted by Forrester Consulting on behalf of Videology, February 2016

The study also showed that media companies have been leading the race to add more providers. Over three-quarters of media companies have expanded their roster of measurement providers in the past three years, compared with 57% of buyers (see Figure 5).

The media measurement space continues to see a run of consolidations, mergers, and acquisitions intended to provide a more complete view of video performance across channels. This, in part, is driving trends that see advertisers and agencies consolidating the measurement providers they work with and gaining experience and visibility over which providers best answer their needs and requirements.

Media companies' tendency to further expand their measurement provider base is partly a factor of their need to keep up with buyer demands. In short, buyers have more power to choose which measurement providers they want to work with, leaving it to media companies to work across a number of standards and tools.

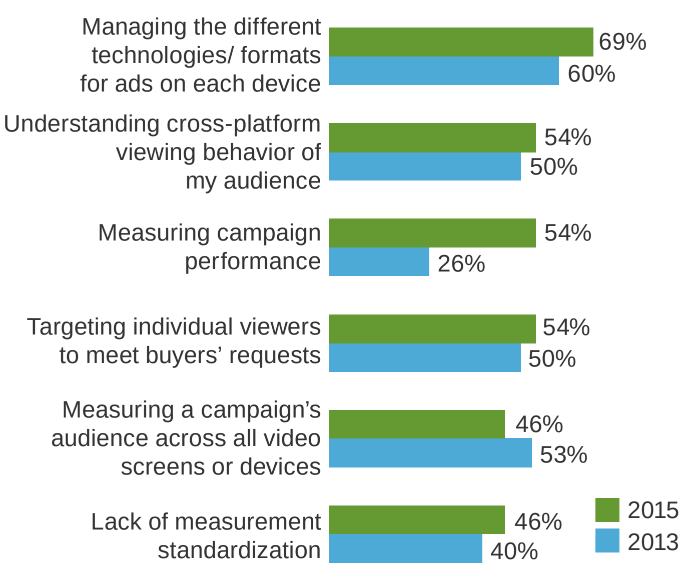
As one interviewee put it: "We use more than one provider because the agencies use more than one. We can't track everything with a traditional TV metrics provider because that doesn't allow us to work with agencies using providers with digital-focused offerings."

All of this is not to say that cracking video measurement is easy for buyers — indeed, they struggle to tie together a holistic view of audience engagement and marketing efficacy, and a lack of industrywide agreement on metrics for cross-screen measurement makes it that much harder. A growing array of video touchpoints has increased the complexity of measuring and managing campaigns, leading to struggles with managing technology and cross-platform behavioral targeting. And we have seen these challenges become more difficult over time (see Figure 6).

FIGURE 6

Effective Video Ad Measurement Has Gotten More Complex

"What are the biggest challenges in digital video advertising (i.e., not offline TV) you face today?"
(Showing "challenging" and "most challenging")



Base: 107 advertisers, agencies, and publishers/media companies in the US

Source: A commissioned study conducted by Forrester Consulting on behalf of Videology, February 2016

Consumers have continued to shift to connected and mobile screens faster than the online advertising ecosystem has solved issues related to the multiplication of formats, the lack of standard for measuring video, and the difficulties associated with cross-screen tracking and measurement. This has exacerbated existing challenges, as video ad campaigns have exploded in volume and complexity. Marketers need platforms that can procure, translate, and activate video ad campaign performance data across platforms more seamlessly.

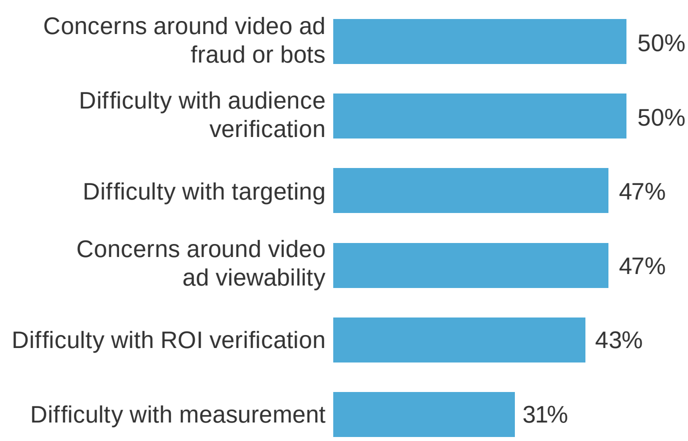
When it comes to linear TV, buyers are most likely to cite challenges with targeting specific customers, managing diverse data sources, identifying appropriate content, and holistically tying together linear and digital video buys.

Almost one-third of buyers said that difficulty with measurement would have a negative impact on their video buying in the future. Advertisers (44%) were more than twice as likely as agencies (21%) to agree that measurement concerns caused them to hold back. With video specifically, advertisers face significant pressure to justify steep video ad cost per thousands (CPMs). Therefore, expectations for online video ads are high, but the ability to accurately measure their performance and impact on the bottom line must be proven, or advertisers risk constraining future spend (see Figure 7).

FIGURE 7

Fraud, Viewability Concerns Hold Video Spend Back

"What kind of impact do the following have on your video ad buying spend?"
(Showing "strongly negative" and "negative" only)



Base: 74 advertisers and agencies in the US

Source: A commissioned study conducted by Forrester Consulting on behalf of Videology, February 2016

To Ensure Growth, Control For Fraud And Viewability

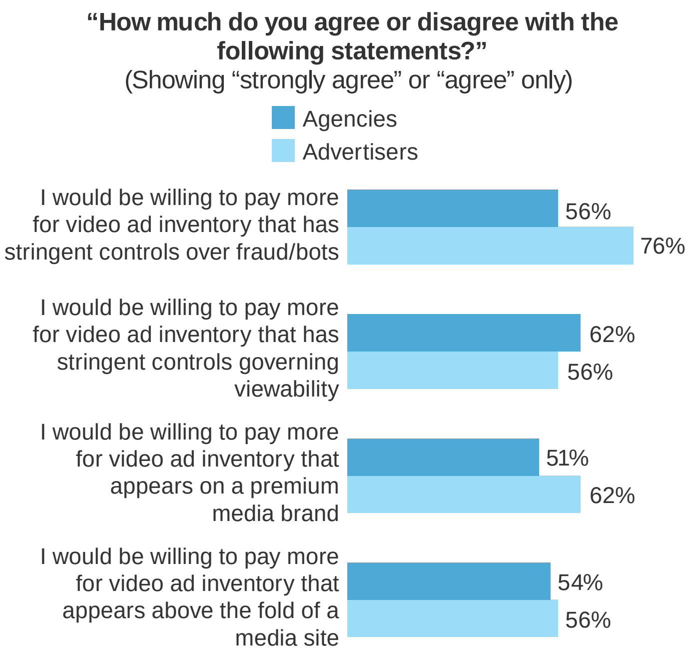
For 2016, we examined the role of fraud and viewability in driving the video ad market, which were topics we didn't look at in the prior study. Fraud and viewability emerged not only as key challenges but also as key opportunities to help video advertising drive value for buyers and sellers alike.

More than half of advertisers and 46% of agencies said that concerns with fraud or bots were constraining their spend in video. Marketers need to work with trusted partners that monitor the inventory they buy/sell and have fraud detection mechanisms in place. This is likely to push marketers to favor inventory from premium sites or sold through private auctions for higher CPMs.

Over 75% of advertisers express a willingness to pay more for video inventory that stringently controlled for fraud and viewability, and agencies prioritize these considerations over other considerations like the quality of the media brand or location of the video ad on the page (see Figure 8).

FIGURE 8

Buyers Place High Value On Fraud, Viewability Controls

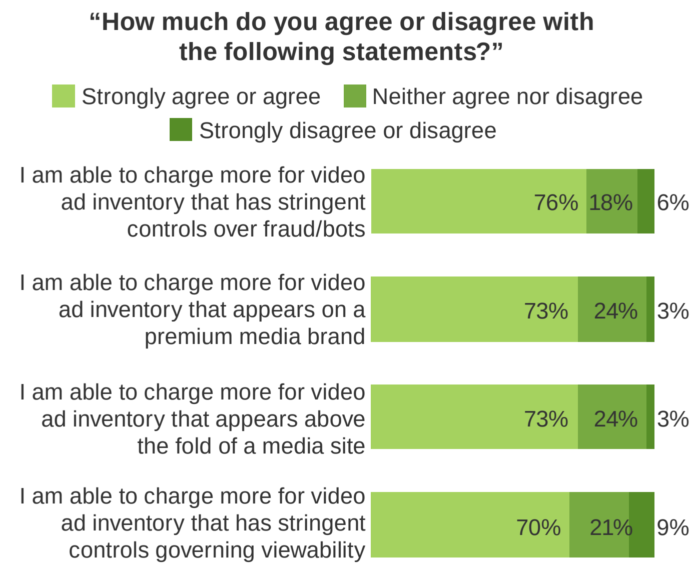


Base: 74 advertisers and agencies in the US

Source: A commissioned study conducted by Forrester Consulting on behalf of Videology, February 2016

FIGURE 9

Media Companies See The Value In Delivering Against Fraud And Viewability



Base: 33 publishers in the US

Source: A commissioned study conducted by Forrester Consulting on behalf of Videology, February 2016

For their part, media companies have taken notice of the value of these controls as well. Over three-quarters said they were able to charge more for video inventory when controls were put in place for fraud, and 70% said the same for controlling for viewability, though they were more likely than buyers to cite the importance of brand quality and ad placement (see Figure 9).

Key Recommendations

As consumers take advantage of access to video content across multiple screens, the opportunities to reach them with compelling video content are expanding. Forrester's study yielded several important recommendations:

- **Buyers, plan with an eye on both digital video and linear TV.** Buyers and sellers recognize that digital video experiences are going to increase their role in consumers' lives. But where we may have predicted that linear TV would face significant struggles in 2013, buyers and sellers believe it's set to remain an important part of the mix over the next three years. As digital video and linear TV planning merge, buyers should embrace a converged video advertising plan, while ensuring your team can tap into expertise for each approach.

- **Sellers, innovate beyond cross-screen reach to meet the needs of your advertisers.** While enabling cross-screen reach will likely be the first order of business for many media companies, advertisers and agencies are already growing their appetite for more, including deeper audience engagement and dynamic creative.

- **Everyone, seek technology partners that can help tie your measurement together,** Higher CPMs for video, a proliferation of customer video touchpoints, and the advent of mobile video have made measuring video campaigns more complex than ever. Seek technology partners that have strong integrations with various measurement providers and a strong road map for achieving more holistic measurement across video types and platforms.

- **Embrace fraud and viewability controls as a standard for high-quality ad inventory.** Fraud and viewability guarantees come at a price, but they prevent the loss of budget to impressions that have no chance of reaching consumers. Marketers paying premiums for viewable impressions should make sure they are happy with what constitute viewability: More marketers and agencies are challenging the current Media Rating Council (MRC) definition of video viewability as 50% of pixels in view for 2 consecutive seconds. Video buying platforms can help accommodate this decision by offering flexible viewability thresholds.

- **Find ways to prove performance to justify video costs.** Video's higher CPMs come with raised expectations around performance, and we have seen that challenges with measurement can hold back spend. Achieving a deeper understanding of ad effectiveness — led by embracing standards around viewability — will help advertisers better tie investments to results.

Appendix A: Methodology

Forrester conducted a comprehensive survey of 100 decision-makers at US advertisers, agencies, and media companies, including both traditional and online-only video content producers. To qualify for the survey, advertisers' companies had to earn a minimum $250 million in revenues, agencies had to represent a national customer profile, and media companies had to be listed as one of the top 500 online sites for web traffic. Forrester also conducted 10 in-depth interviews with decision-makers with these groups to explore the challenges and opportunities video advertising presents. Respondents were offered a small incentive as a thank you for time spent on the survey. The study began in December 2015 and was completed in February 2016.

Appendix B: Endnotes

[1] Source: "Select Partners That Support Your Goals," Forrester Research, Inc., November 21, 2015.