Video Landscape Report 2016

IAB Video Center of Excellence
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.
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.
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.
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 term video is perceived through varying yet overlapping frameworks and lenses.
Video delivery and consumption is more crowded than ever

<table>
<thead>
<tr>
<th>MVPDs</th>
<th>OTT Devices</th>
<th>Smart TVs</th>
<th>Game Consoles</th>
<th>Platforms &amp; Delivery</th>
<th>Ad Networks</th>
<th>Web TV Services</th>
<th>Streaming Services</th>
</tr>
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<tbody>
<tr>
<td>Comcast</td>
<td>Roku</td>
<td>LG Smart TV</td>
<td>XBOX</td>
<td>Facebook</td>
<td>YuMe</td>
<td>sling</td>
<td>abc</td>
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<tr>
<td>Charter</td>
<td>Amazon Fire TV</td>
<td>SONY</td>
<td>YouTube</td>
<td>AT&amp;T AdWorks</td>
<td>BrightRoll</td>
<td>Go9</td>
<td>A&amp;E</td>
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<tr>
<td>Dish Network</td>
<td>directTV</td>
<td>android tv</td>
<td>PlayStation</td>
<td>YouTube</td>
<td>Tremor Video</td>
<td>Teads</td>
<td>hulu</td>
</tr>
<tr>
<td>Cablevision</td>
<td>Apple TV</td>
<td>Panasonic</td>
<td>Wii</td>
<td>Innovid</td>
<td>collective</td>
<td>hulu</td>
<td>Netflix</td>
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<tr>
<td>Verizon Fios</td>
<td>Chromecast</td>
<td>SHARP</td>
<td></td>
<td>Videology</td>
<td></td>
<td></td>
<td>Watch</td>
</tr>
</tbody>
</table>

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.

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

- 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

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

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<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital video</td>
<td>0:21</td>
<td>0:36</td>
<td>0:50</td>
<td>1:03</td>
<td>1:16</td>
<td>38.4%</td>
</tr>
<tr>
<td>Mobile</td>
<td>0:03</td>
<td>0:09</td>
<td>0:21</td>
<td>0:30</td>
<td>0:39</td>
<td>91.8%</td>
</tr>
<tr>
<td>Tablet</td>
<td>0:01</td>
<td>0:04</td>
<td>0:13</td>
<td>0:18</td>
<td>0:22</td>
<td>119.8%</td>
</tr>
<tr>
<td>Smartphone</td>
<td>0:02</td>
<td>0:04</td>
<td>0:08</td>
<td>0:12</td>
<td>0:17</td>
<td>81.1%</td>
</tr>
<tr>
<td>Desktop/laptop</td>
<td>0:12</td>
<td>0:21</td>
<td>0:22</td>
<td>0:24</td>
<td>0:24</td>
<td>18.6%</td>
</tr>
<tr>
<td>Other connected devices*</td>
<td>0:06</td>
<td>0:06</td>
<td>0:07</td>
<td>0:09</td>
<td>0:13</td>
<td>22.9%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>hrs:mins</th>
</tr>
</thead>
<tbody>
<tr>
<td>TV*</td>
<td>4:05</td>
</tr>
<tr>
<td>Digital video devices</td>
<td>1:08</td>
</tr>
<tr>
<td>Other connected devices**</td>
<td>0:14</td>
</tr>
<tr>
<td>Desktop/laptop</td>
<td>0:29</td>
</tr>
</tbody>
</table>

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 digital; **includes game consoles, connected TVs or OTT devices; Source: eMarketer, April 2015

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

Source: Mary Meeker 2016 Internet Trends.
TV ad spend remains dominant, though digital video exhibits a faster revenue growth rate

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

<table>
<thead>
<tr>
<th>Year</th>
<th>TV*</th>
<th>Digital Video**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$70.60</td>
<td>$9.84</td>
</tr>
<tr>
<td>2017</td>
<td>$72.01</td>
<td>$11.72</td>
</tr>
<tr>
<td>2018</td>
<td>$73.81</td>
<td>$13.39</td>
</tr>
<tr>
<td>2019</td>
<td>$75.29</td>
<td>$15.15</td>
</tr>
<tr>
<td>2020</td>
<td>$77.17</td>
<td>$16.69</td>
</tr>
</tbody>
</table>

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

Ad Revenue Growth (US)
Compound Annual Growth Rate 2015 - 2020

- Digital Total: 21.9%
- Search: 12.7%
- Display: 11.0%
- Video: 14.9%
- Social: 8.1%
- Traditional Total: 0.4%
- TV: 0.9%
- Radio: 1.0%
- Newspaper: -2.5%
- Magazine: -1.5%
- Out Of Home: 2.2%

Note: Digital formats include mobile

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

Source: Digital Media Ad Spend Report, BI Intelligence 2016.
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?

<table>
<thead>
<tr>
<th>Spending Optimism for Video and TV Advertising Types</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital/Online Video</td>
</tr>
<tr>
<td>Increase: 63%</td>
</tr>
<tr>
<td>Maintain: 34%</td>
</tr>
<tr>
<td>Decrease: 3%</td>
</tr>
<tr>
<td>Net Optimism: 60%</td>
</tr>
<tr>
<td>Mobile Video</td>
</tr>
<tr>
<td>Increase: 62%</td>
</tr>
<tr>
<td>Maintain: 35%</td>
</tr>
<tr>
<td>Decrease: 2%</td>
</tr>
<tr>
<td>Net Optimism: 60%</td>
</tr>
<tr>
<td>Advanced TV</td>
</tr>
<tr>
<td>Increase: 41%</td>
</tr>
<tr>
<td>Maintain: 52%</td>
</tr>
<tr>
<td>Decrease: 7%</td>
</tr>
<tr>
<td>Net Optimism: 34%</td>
</tr>
<tr>
<td>Broadcast/Cable/OTT TV</td>
</tr>
<tr>
<td>Increase: 30%</td>
</tr>
<tr>
<td>Maintain: 51%</td>
</tr>
<tr>
<td>Decrease: 19%</td>
</tr>
<tr>
<td>Net Optimism: 11%</td>
</tr>
</tbody>
</table>

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.
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 (%)

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?

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

- 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.

Source: eMarketer, June 2016.
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

<table>
<thead>
<tr>
<th>Device</th>
<th>2014 Completion Rate</th>
<th>2015 Completion Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTT device*</td>
<td>98%</td>
<td>98%</td>
</tr>
<tr>
<td>Desktop/laptop</td>
<td>78%</td>
<td>81%</td>
</tr>
<tr>
<td>Tablet**</td>
<td>64%</td>
<td>79%</td>
</tr>
<tr>
<td>Smartphone**</td>
<td>61%</td>
<td>76%</td>
</tr>
</tbody>
</table>

*Note: represents activity on the Vindico platform, broader industry metrics may vary.*  
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.

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.
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.

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.

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

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

**US Native Display Ad Revenue**

*Note: Display includes banner, rich media, sponsorship, and video ads.*

*Source: BI Intelligence estimates based on historical data from the Interactive Advertising Bureau and PricewaterhouseCoopers, and IAB.

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

- 2000: 100%
- 2005: 99%
- 2010: 93%
- 2015: 77%

OTT & Smart TV
Tablet
Mobile
Computer
TV

Source: IAB TV 20/20 Webinar, 2016. Videology % estimates from Nielsen, eMarketer trend data; Time spent data calculated by Videology from Nielsen and KPCB data. Highest rated programs based on Nielsen A18-49 Live+7 data.
Younger audiences are more fragmented, posing challenges to achieve scale on a single platform.

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.

Source: comScore Cross Platform Future In Focus, 2016.
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…**

<table>
<thead>
<tr>
<th>Digital</th>
<th>Television</th>
</tr>
</thead>
<tbody>
<tr>
<td>Streams</td>
<td>Average Audience</td>
</tr>
<tr>
<td>Unique Viewers</td>
<td>(rating)</td>
</tr>
<tr>
<td>Video / Page Views</td>
<td>Average Audience</td>
</tr>
<tr>
<td>Global Stats</td>
<td>(rating)</td>
</tr>
<tr>
<td>First Party Unaudited Data</td>
<td>U.S. Audience</td>
</tr>
<tr>
<td></td>
<td>(universe)</td>
</tr>
<tr>
<td></td>
<td>Third Party Audited Data</td>
</tr>
</tbody>
</table>

Source: Any Given Minute Comparable Metrics Report, VAB, 2016
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.

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.
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.
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.
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.