The Digital Video Revolution—OTT Evolution

Vijay Solanki, Chief Executive Officer, IAB Australia
Allen Klosowski, Vice President, Advanced Solutions Group, SpotX
Ivan Fuyala, Senior Vice President Commercial Partnerships, VEVO
Eric John, Deputy Director, Video, IAB

GLOBAL SUMMIT 2017

IAB Digital Video Center of Excellence

Defining OTT

IAB OTT Definitions

Over the Top Device

A device that can connect to a TV (or functionality within the TV itself) to facilitate the delivery of Internet-based video content (i.e., streaming boxes, media streaming devices, Smart TV's/Connected TV's and gaming consoles).

Over the Top Video

Over the Top Video is video content transported from a video provider to a connected device over the Internet outside the closed networks of telecom and cable providers.

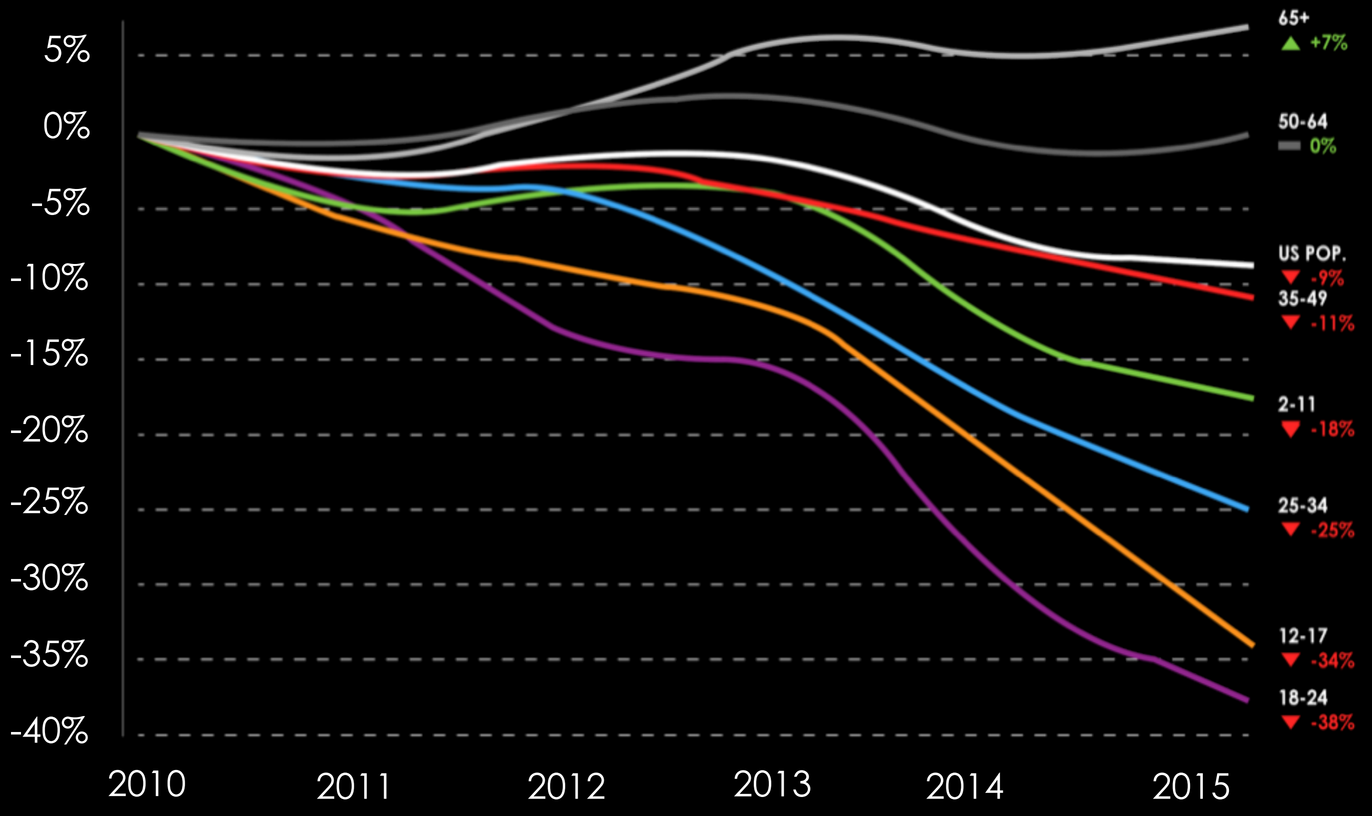
Connected TV

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.

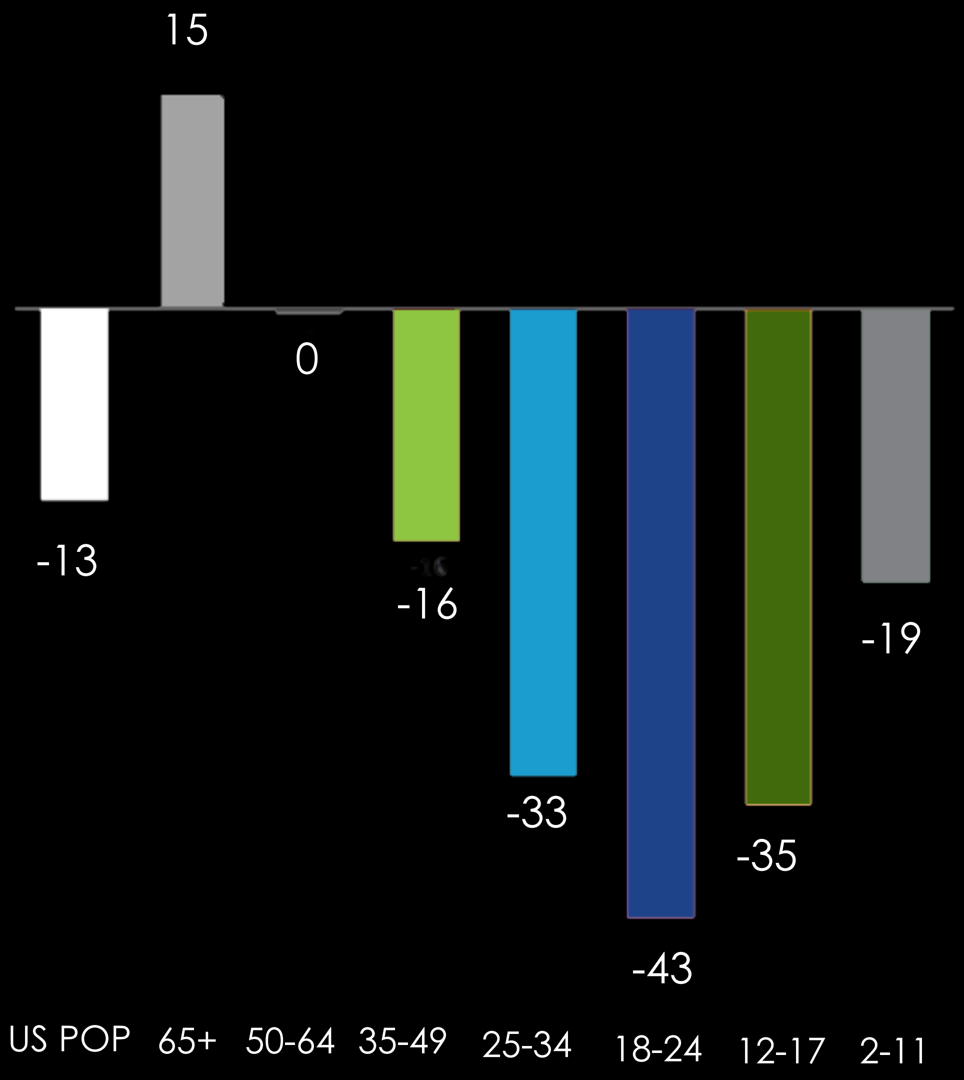
CONNECTED TV
TRENDS

DECLINE OF PAY TV USAGE BY DEMOGRAPHIC

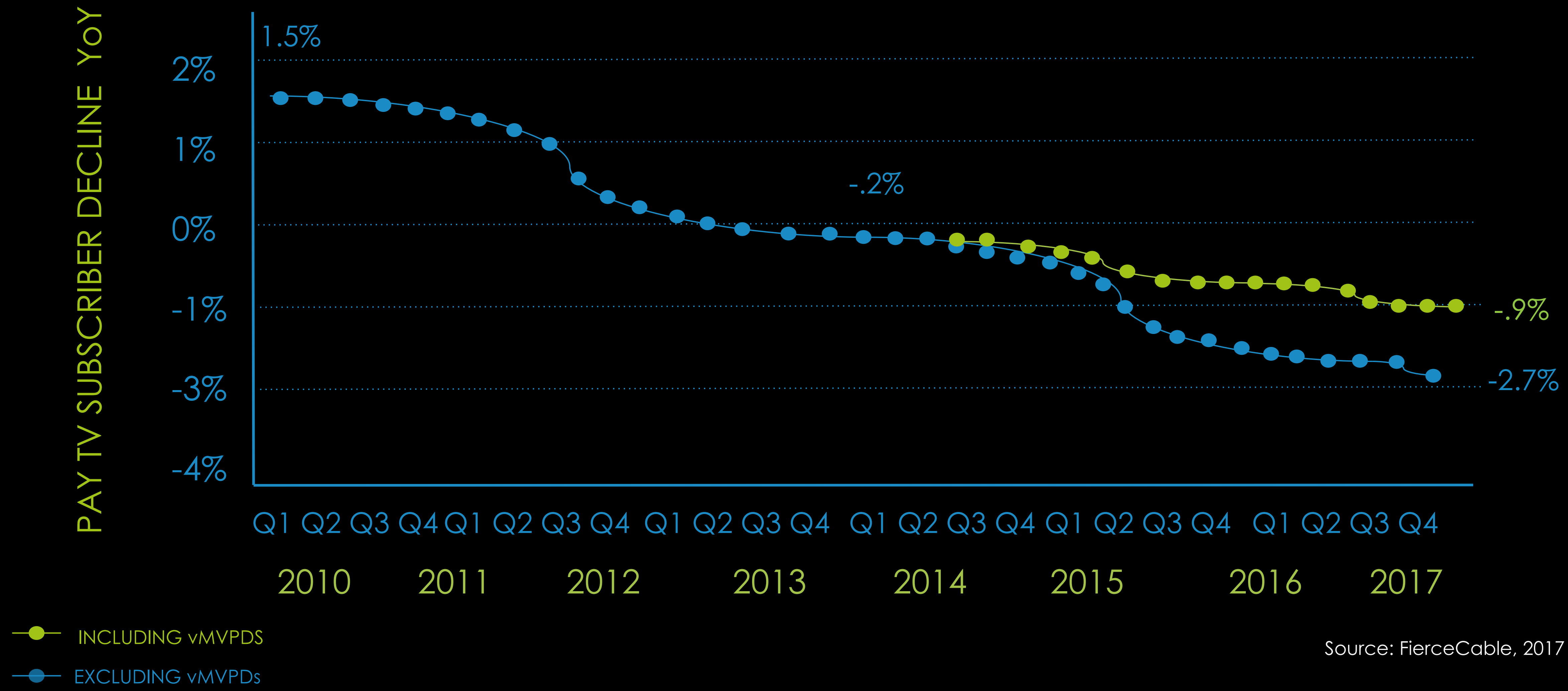
Change in Time Spent Watching Traditional TV by Age Group
(Live + VOD + DVR + Based on Q4s, US Only)



Change in Hours Spent Watching Traditional TV Per Month By Age Group

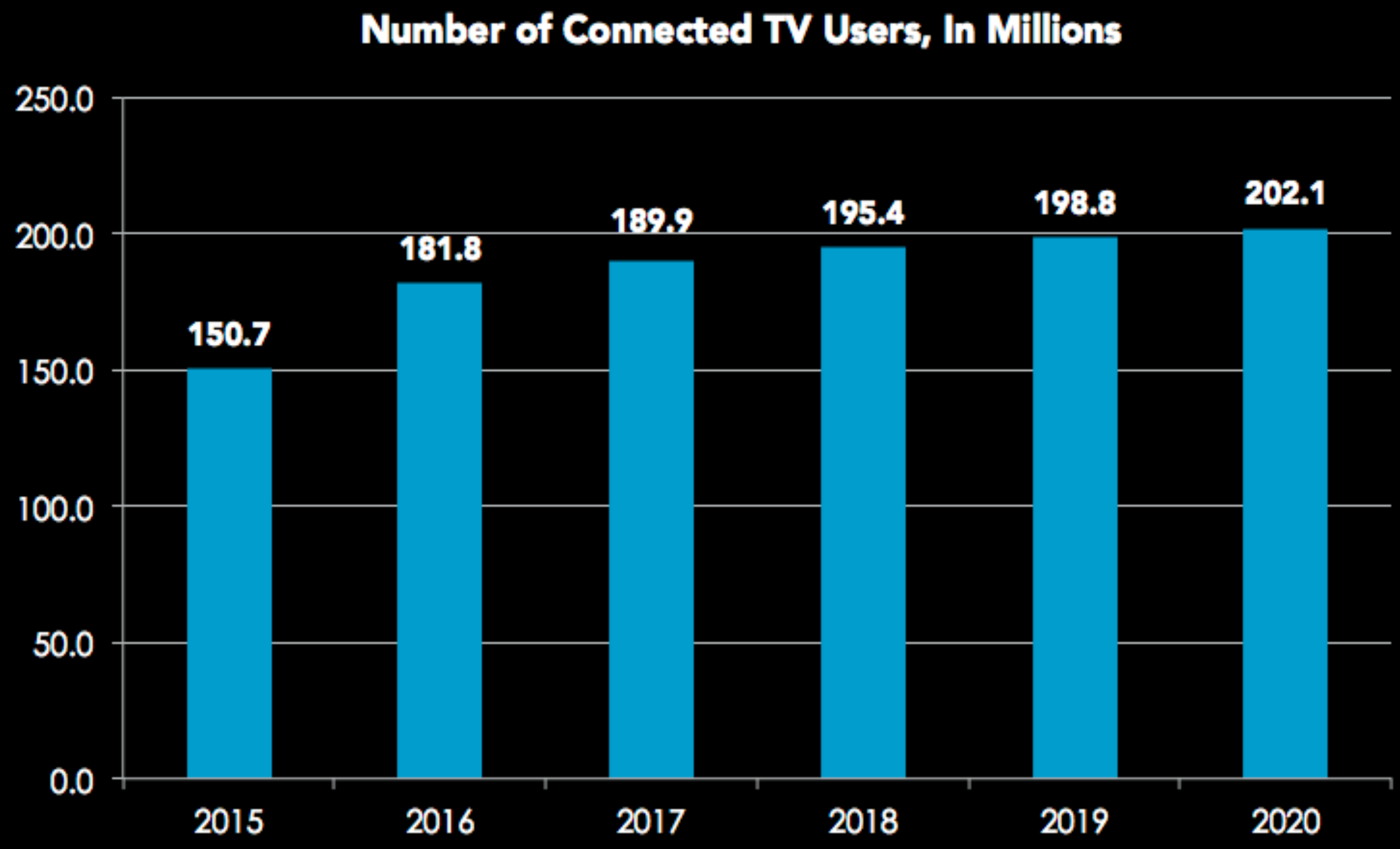


US PAY TV SUBSCRIBERS (2010 – 2017)



Source: FierceCable, 2017

OTT OPPORTUNITY IN NORTH AMERICA

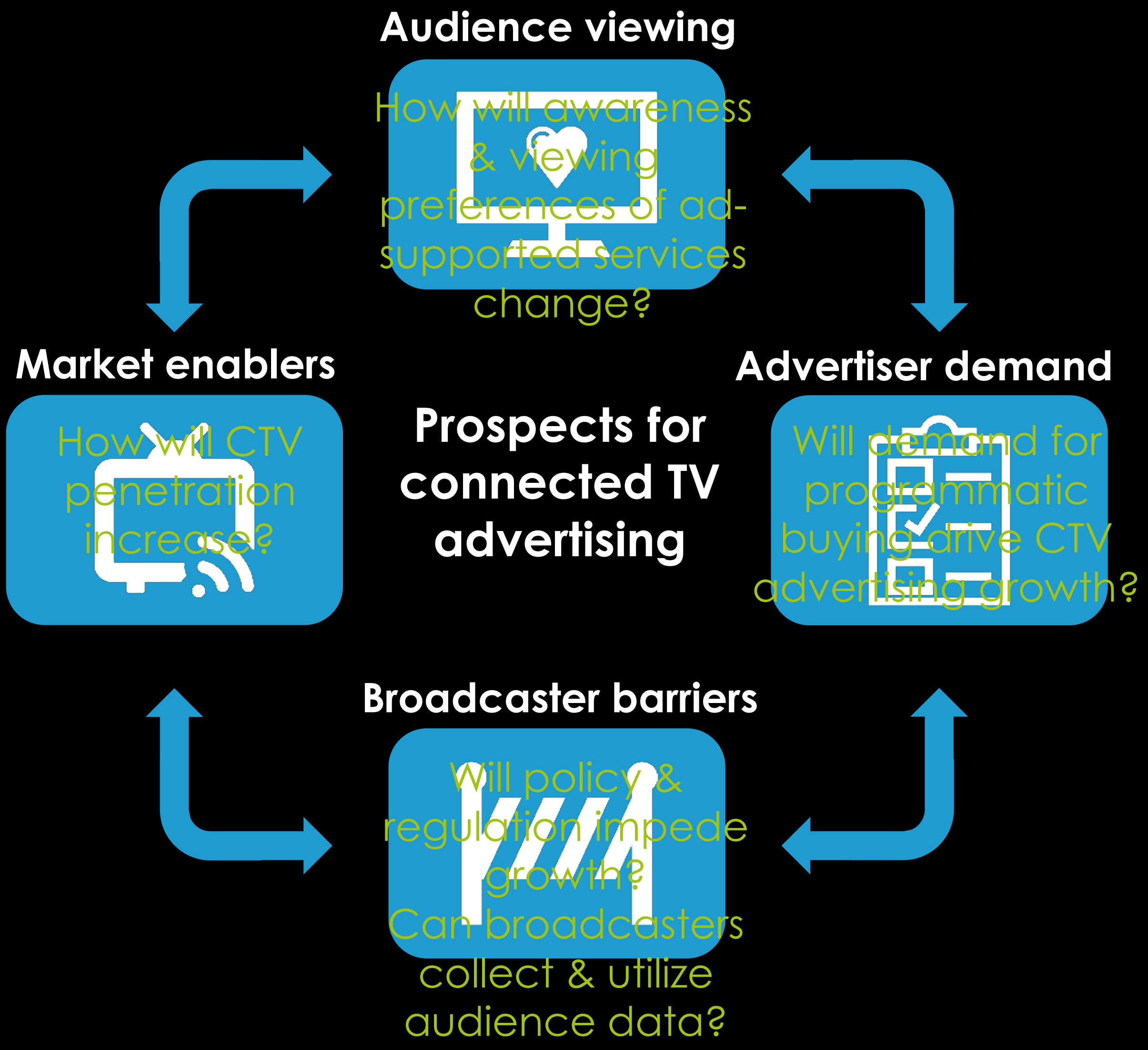


$24 Billion

OTT spend in North America by 2021, a **58%** increase from 2015

Source: eMarketer, Digital TV Research

EU RESEARCH - ANALYTICAL FRAMEWORK



Source: MTM commissioned by SpotX, 2017

FOCUS OF RESEARCH

TVs connected to the open internet

Smart TVs

- Smart TVs with an active broadband connection

HbbTV

Streaming media devices

- Connected set-top boxes and dongles (e.g. Amazon Fire TV, Apple TV, Roku, Chromecast)

Roku

Game consoles

- Gaming consoles with media streaming functionality

XBOX ONE

Pay-TV STBs connected to open internet

- Pay-TV STBs that provide access to 3rd-party OTT apps and video players

NETFLIX

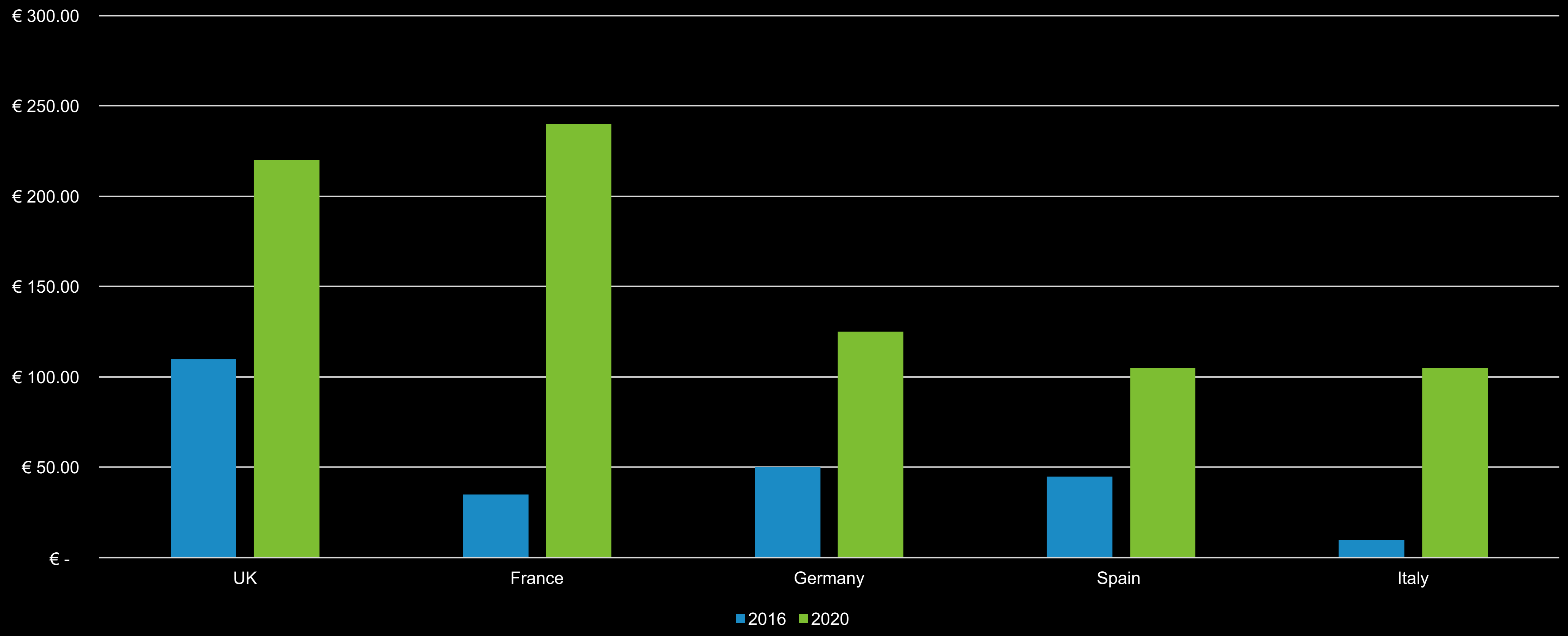
YouTube

Pay-TV STBs with only managed services

- Pay-TV STBs that only provide access to operator-controlled services (e.g. catch-up and TVOD)

OTT GROWTH IN WESTERN EUROPE

Over-the-top TV & video revenues in Europe are slated to more than **double** between 2016 and 2021 in the UK and Big 5



Source: MTM commissioned by SpotX, 2017

UK - MARKET OVERVIEW

ENABLEMENT

91% of UK households have broadband

AUDIENCE

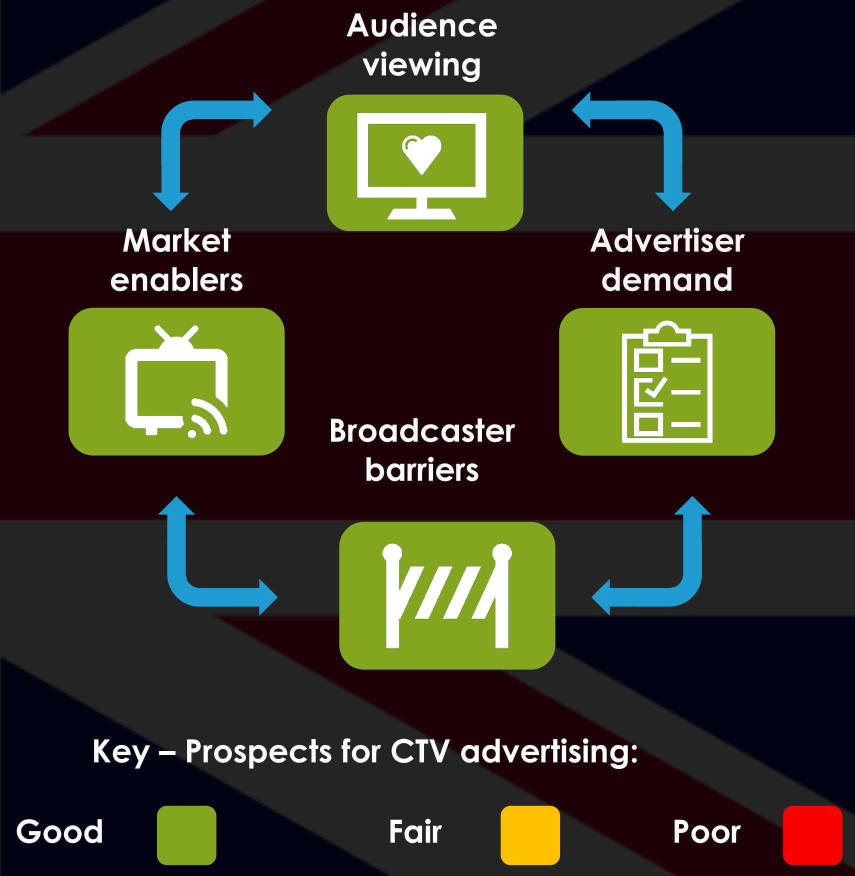
2/3 of UK households have a connected TV in 2016
Projected to be **75% by 2020**
Half of Channel 4's "All 4's" viewing is now via a Connected TV

DEMAND

Top 3 priority for broadcasters
Channel 4, ITV & Sky already use DAI technologies

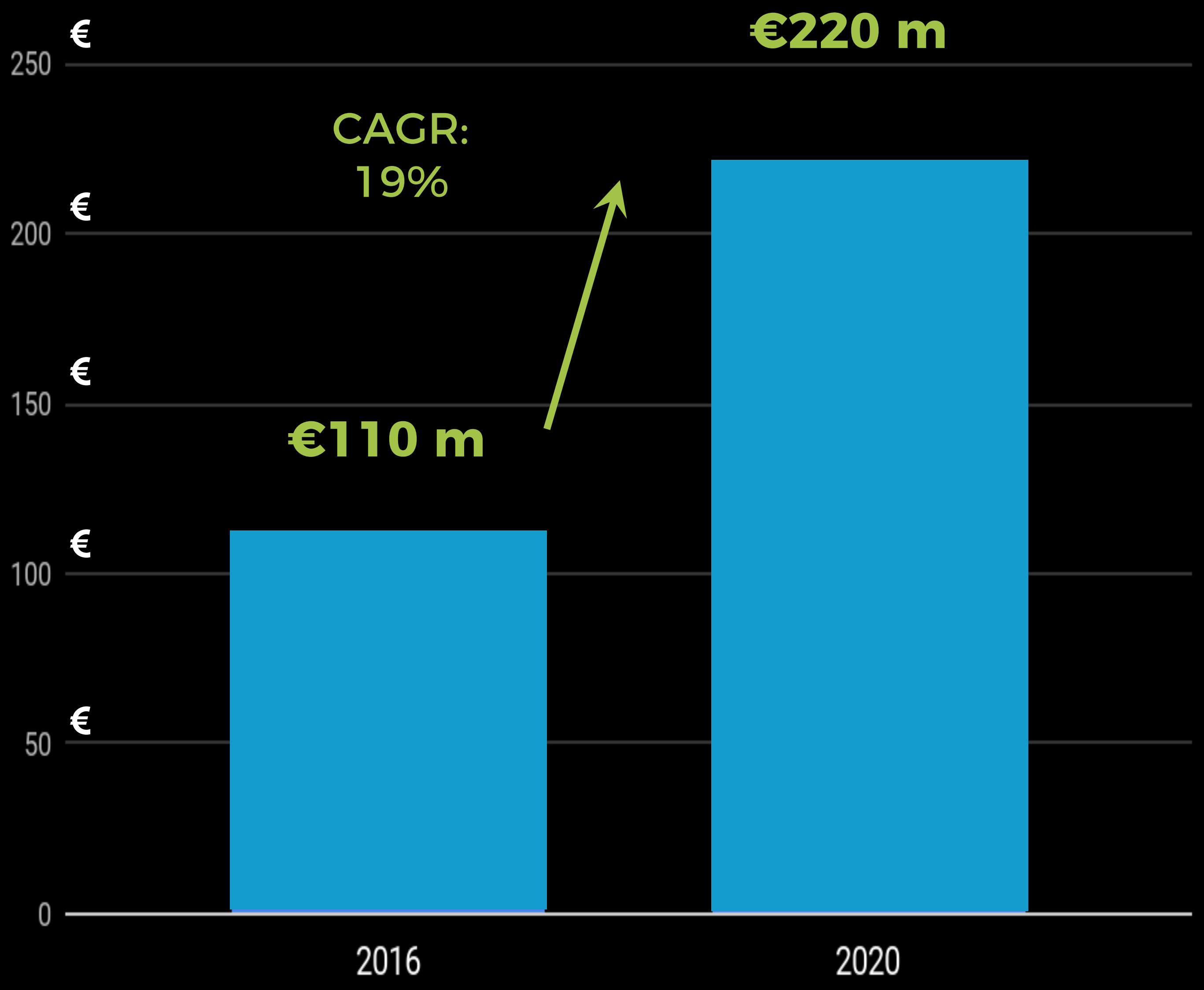
BARRIERS

A common currency for measurement
BARB Dovetail coming March 2018



UK - MARKET FORECAST

Currently the most mature market of the Big 5, the UK will have the lowest growth rate between 2016 and 2020



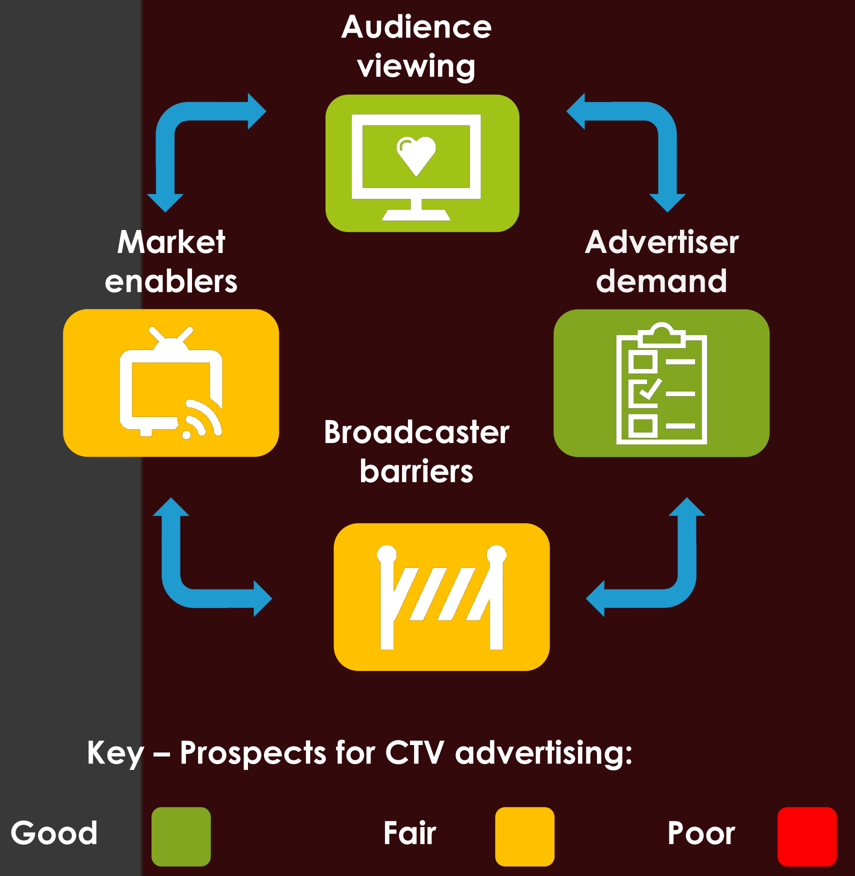
FRANCE - MARKET OVERVIEW

ENABLEMENT
44% of households accessing TV via IPTV
Broadband penetration & speed believed to be sufficient

AUDIENCE
57% connected TV penetration
Expected to grow to 75% by 2020 driven by smart TV sales & new French language content

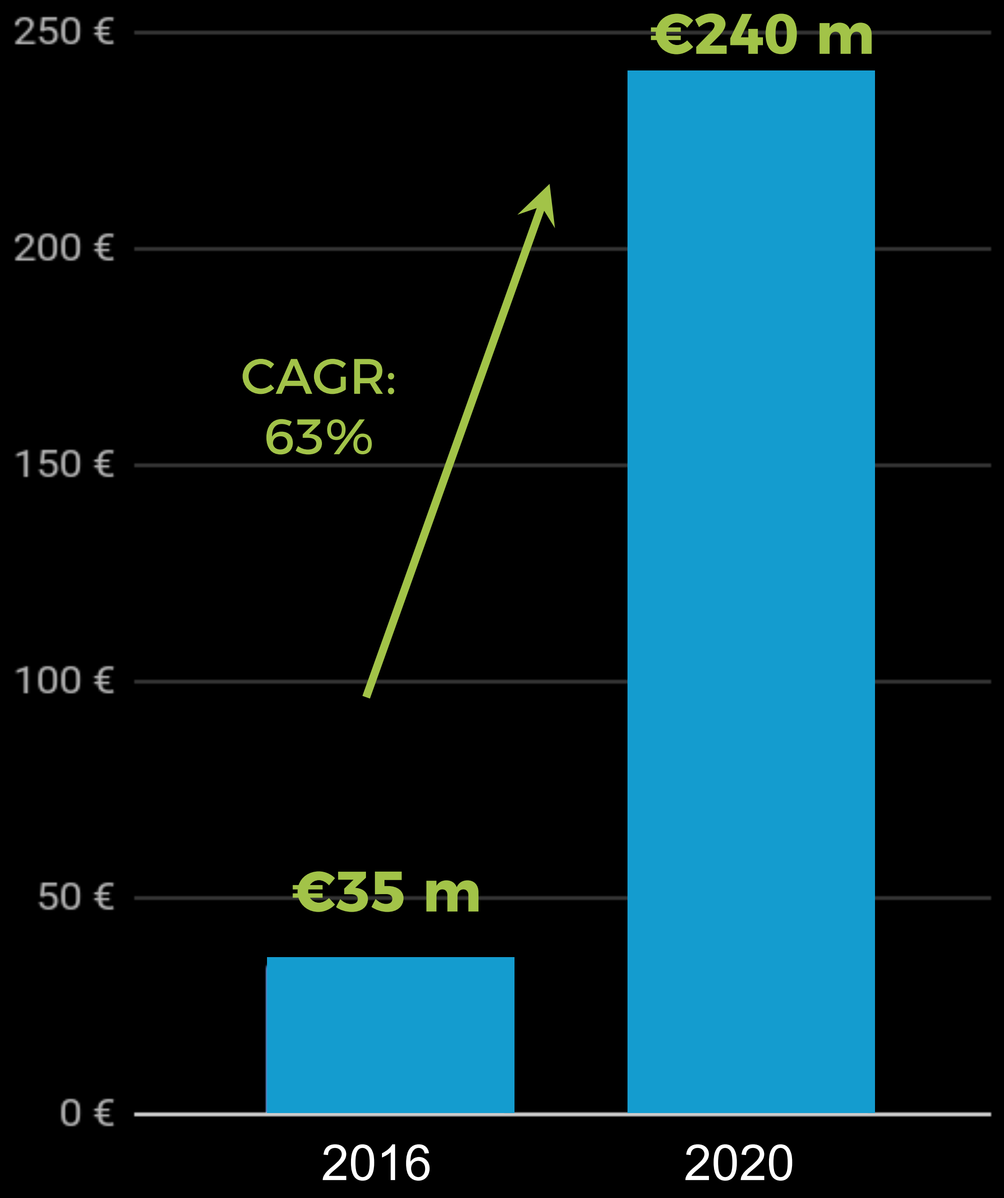
DEMAND
Total video measurement in place via Médiamétrie
Planned industry initiatives and agreements to enable sharing of data

BARRIERS
Anticipated changes in regulation, permitting addressable advertising in linear broadcasts



FRANCE – MARKET FORECAST

France will have the 2nd fastest growth rate among Big 5 behind Italy



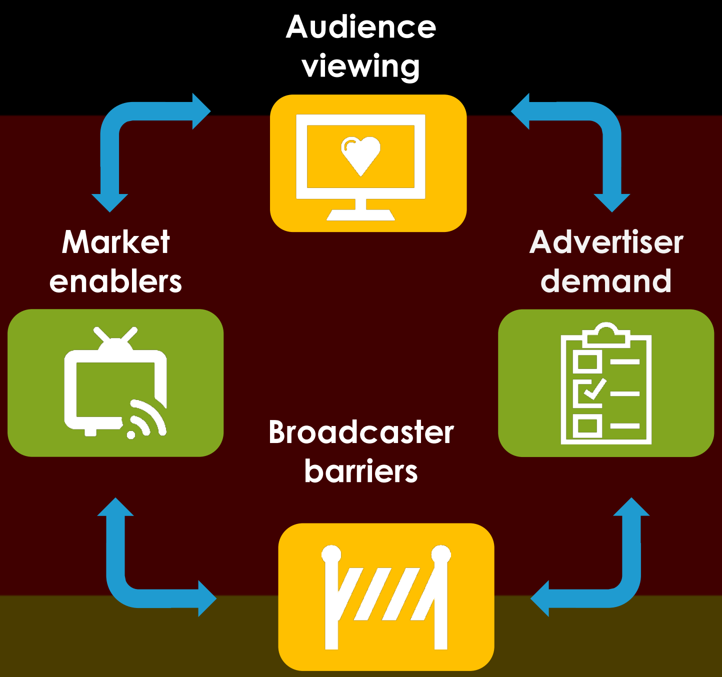
GERMANY - MARKET OVERVIEW

ENABLEMENT
79% broadband penetration through urban & rural areas

AUDIENCE
39% connected TV penetration in 2016
Expected to grow to 55% by 2020 driven by smart TVs + Amazon Fire TV

DEMAND
Further investment by the main broadcasters, RTL and ProSiebenSat.1, will create new opportunities

BARRIERS
Regulations are old and unclear;
Regional advertising in linear is currently prohibited



Key – Prospects for CTV advertising:

Good Fair Poor

GERMANY - MARKET FORECAST

Germany will have the 2nd lowest growth rate, tied with Spain at 24% CAGR

SPAIN - MARKET OVERVIEW

ENABLEMENT

76% fixed broadband penetration

AUDIENCE

28% household penetration in 2016

Expected to grow to 50% by 2020, driven by smart TVs

Growth is from Netflix and Amazon

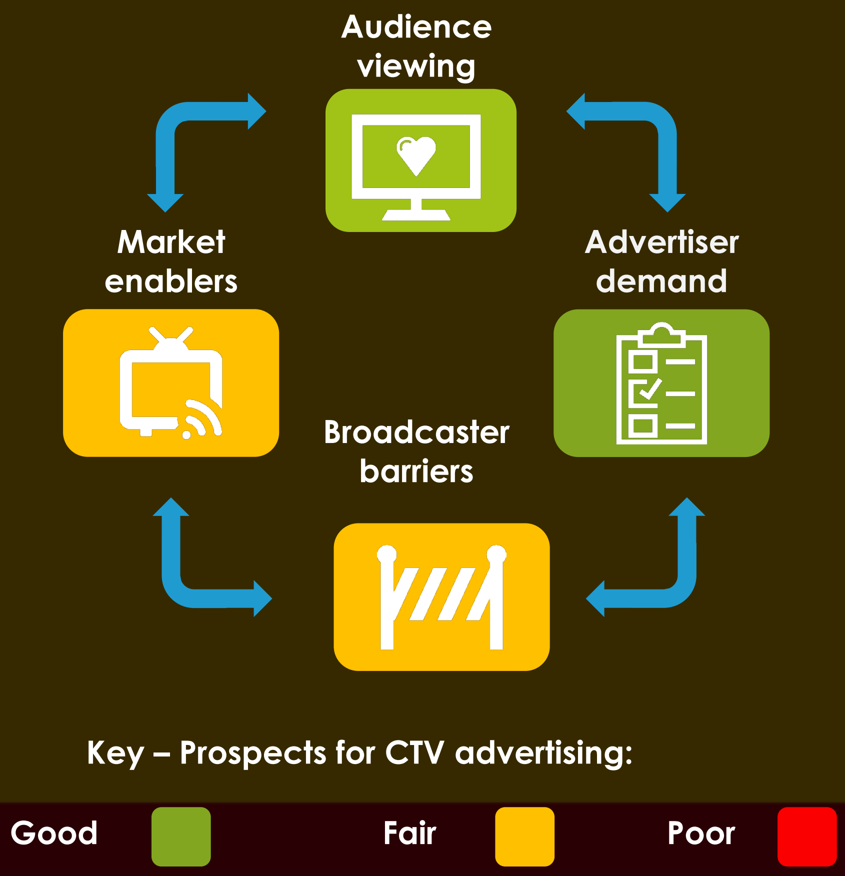
DEMAND

Expected broadcaster investment will be grown by advertiser and agency demand + adoption

BARRIERS

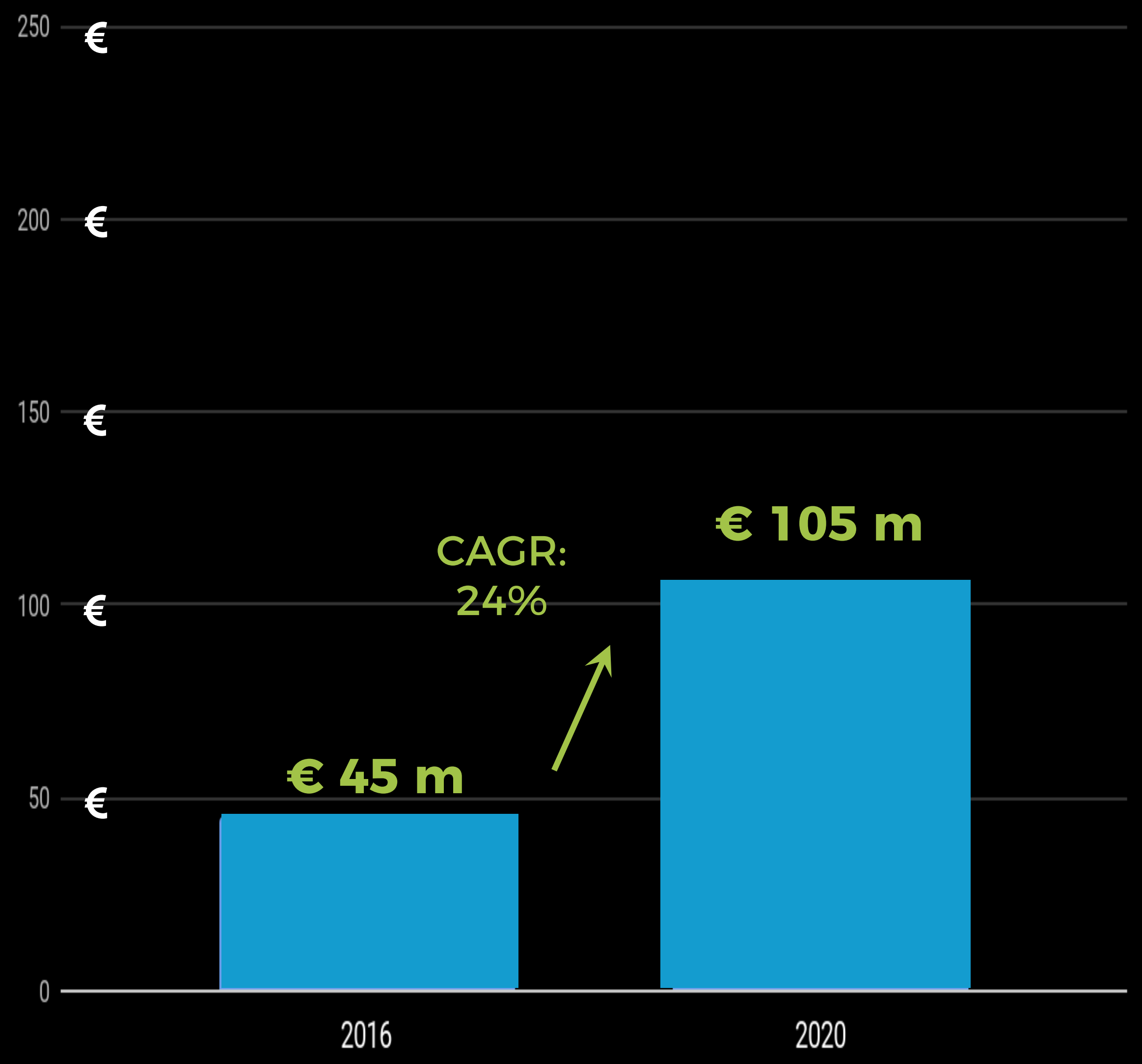
Mediaset and Atresmedia, controlled 85% of the TV ad market in 2016

Lack of user log-in data



SPAIN - MARKET FORECAST

Low market penetration will contribute to relatively low growth rates



ITALY - MARKET OVERVIEW

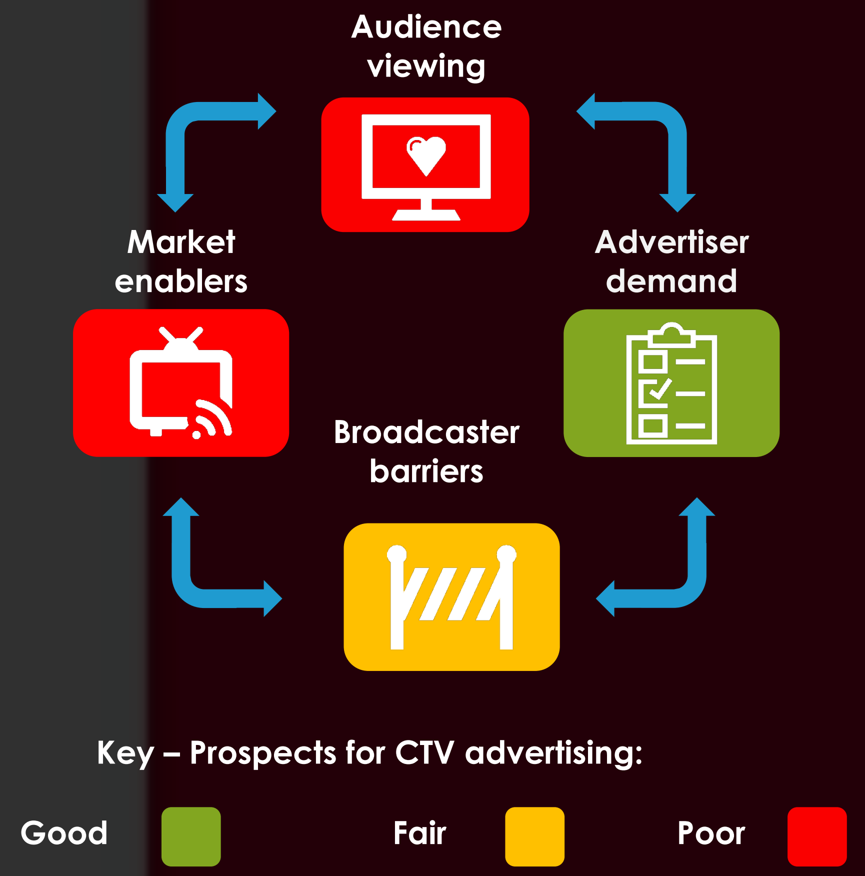
ENABLEMENT
59% of households have broadband

AUDIENCE
15% connected TV penetration
Expected to rise to 30% by 2020
Many not yet accustomed to VOD options

DEMAND
New audience measurement poised to support demand

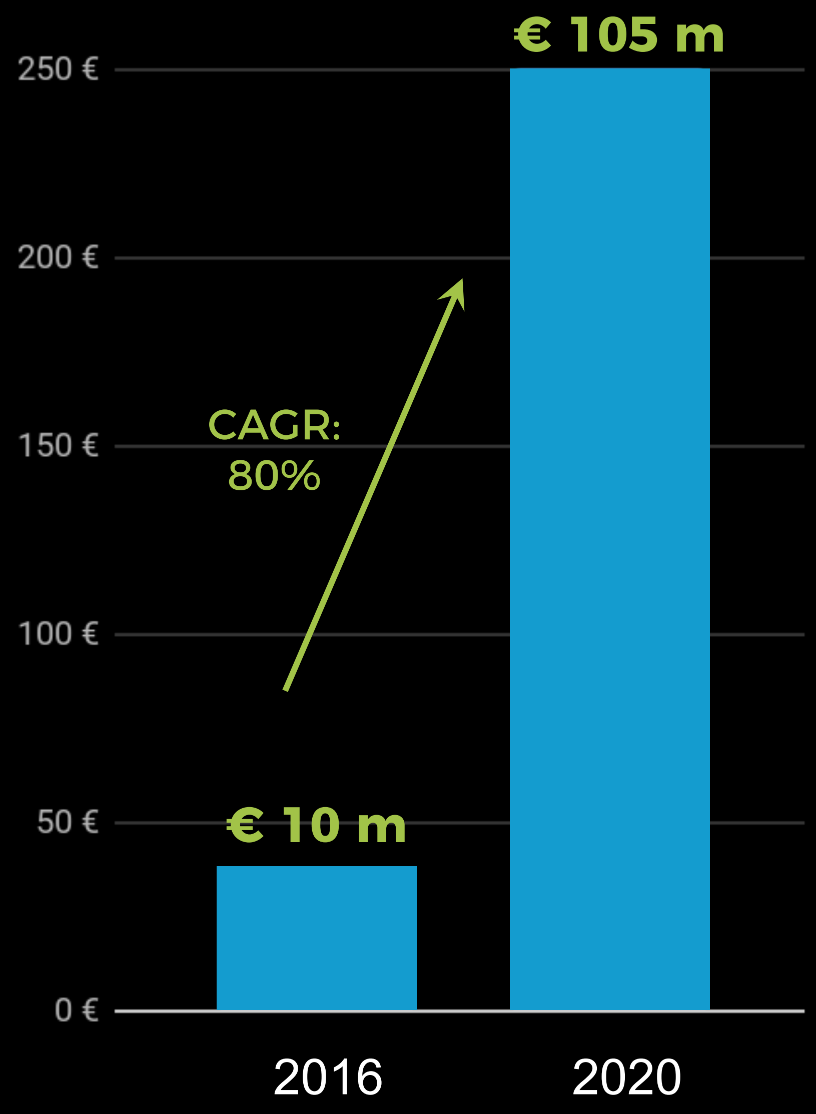
BARRIERS
Require coordination of broadcasters & smart TV manufacturers

Mediaset and RAI control 56% of TV and 21% of total TV ad spend in 2016

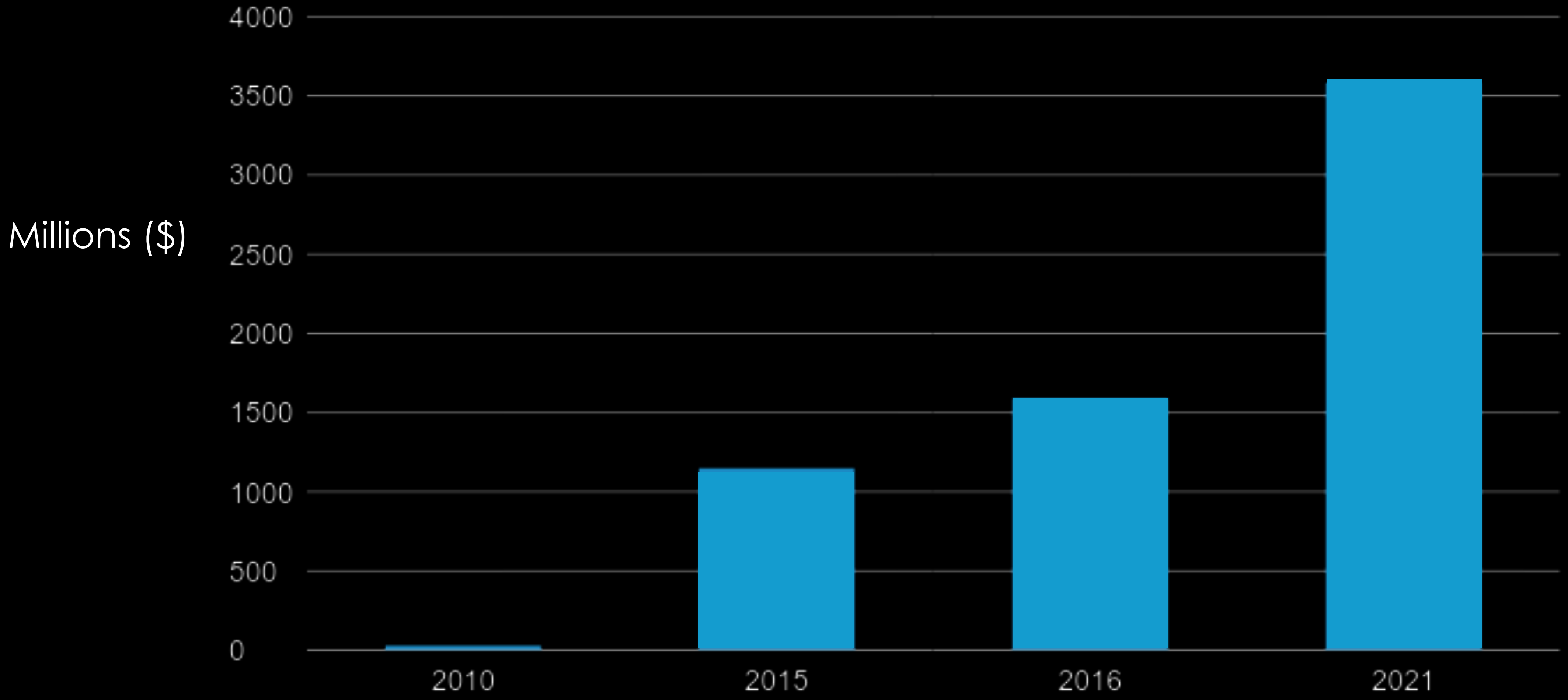


ITALY - MARKET FORECAST

Largest projected growth rate among the Big 5

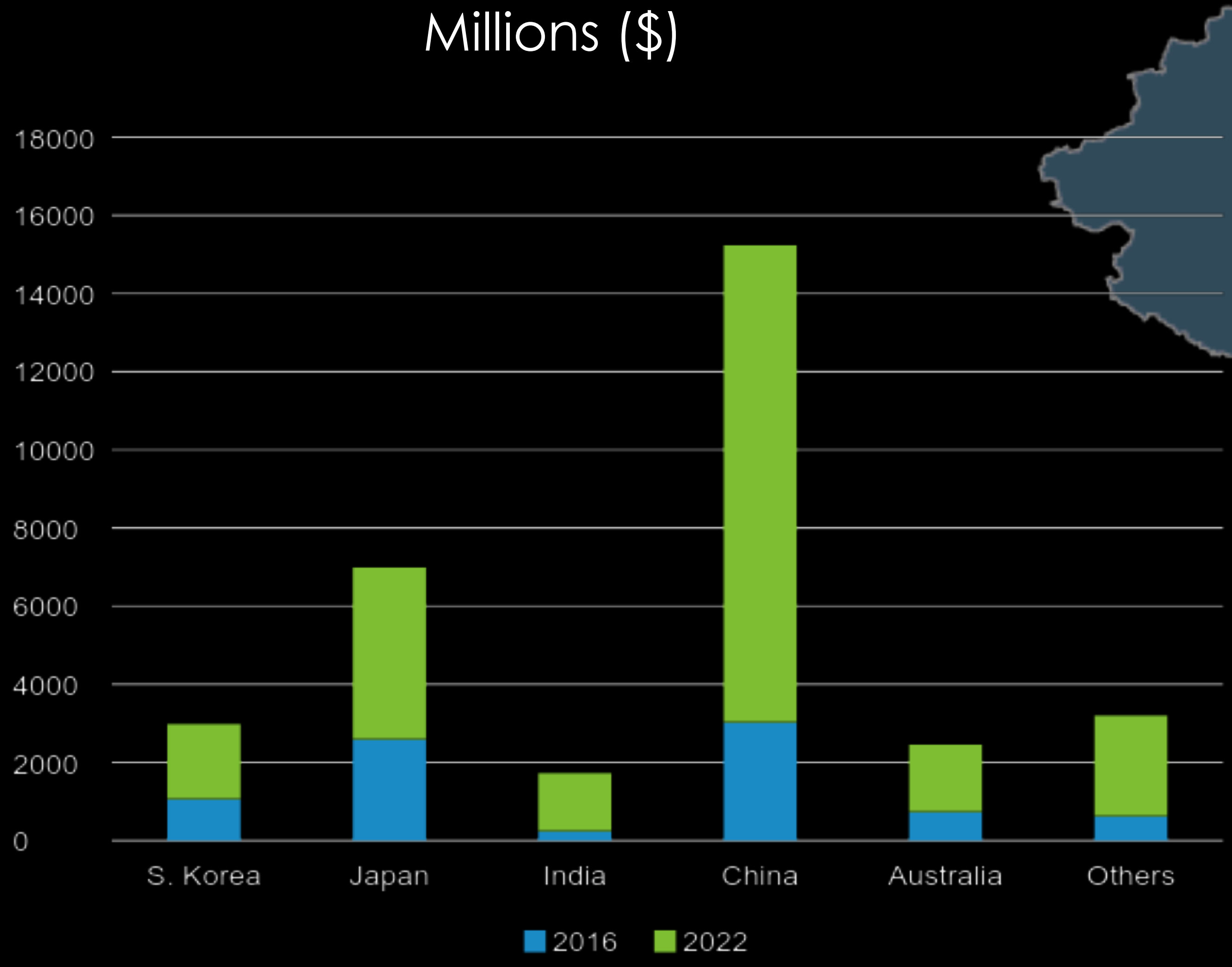


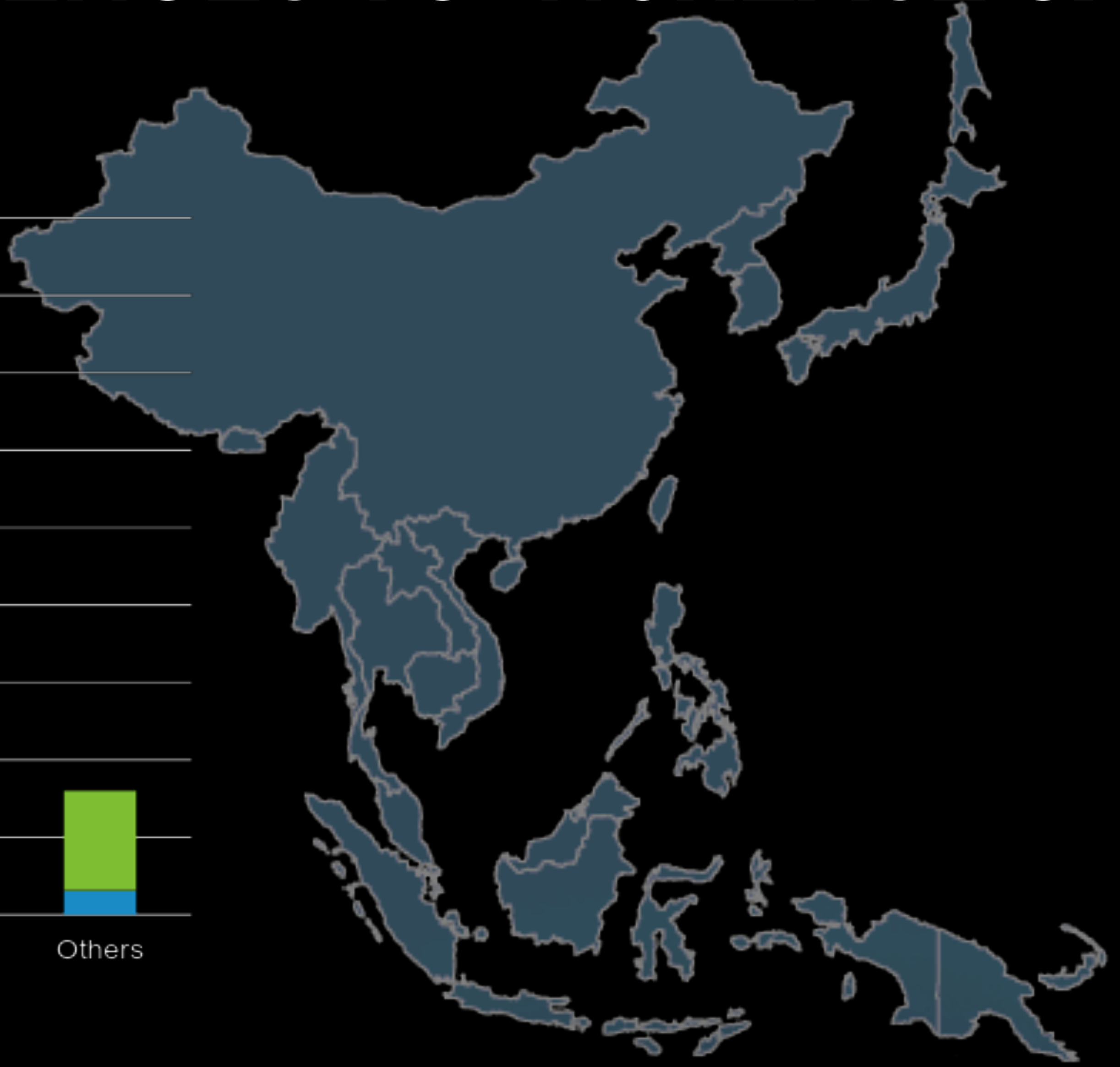
OTT GROWTH IN LATIN AMERICA



Source: Digital TV Research, July 2016

ASIA PACIFIC OTT REVENUES TO INCREASE 3X



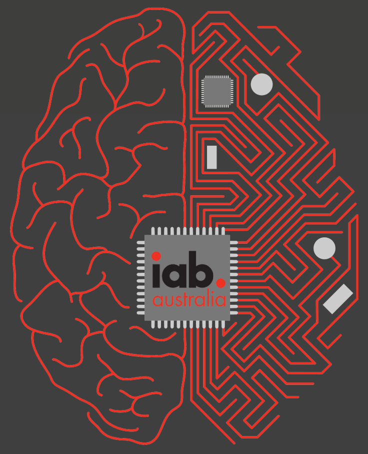


Source: Digital TV Research, July 2017

SPOTX

THANK YOU.

iab.
australia



IAB GLOBAL SUMMIT

OCTOBER 31, 2017

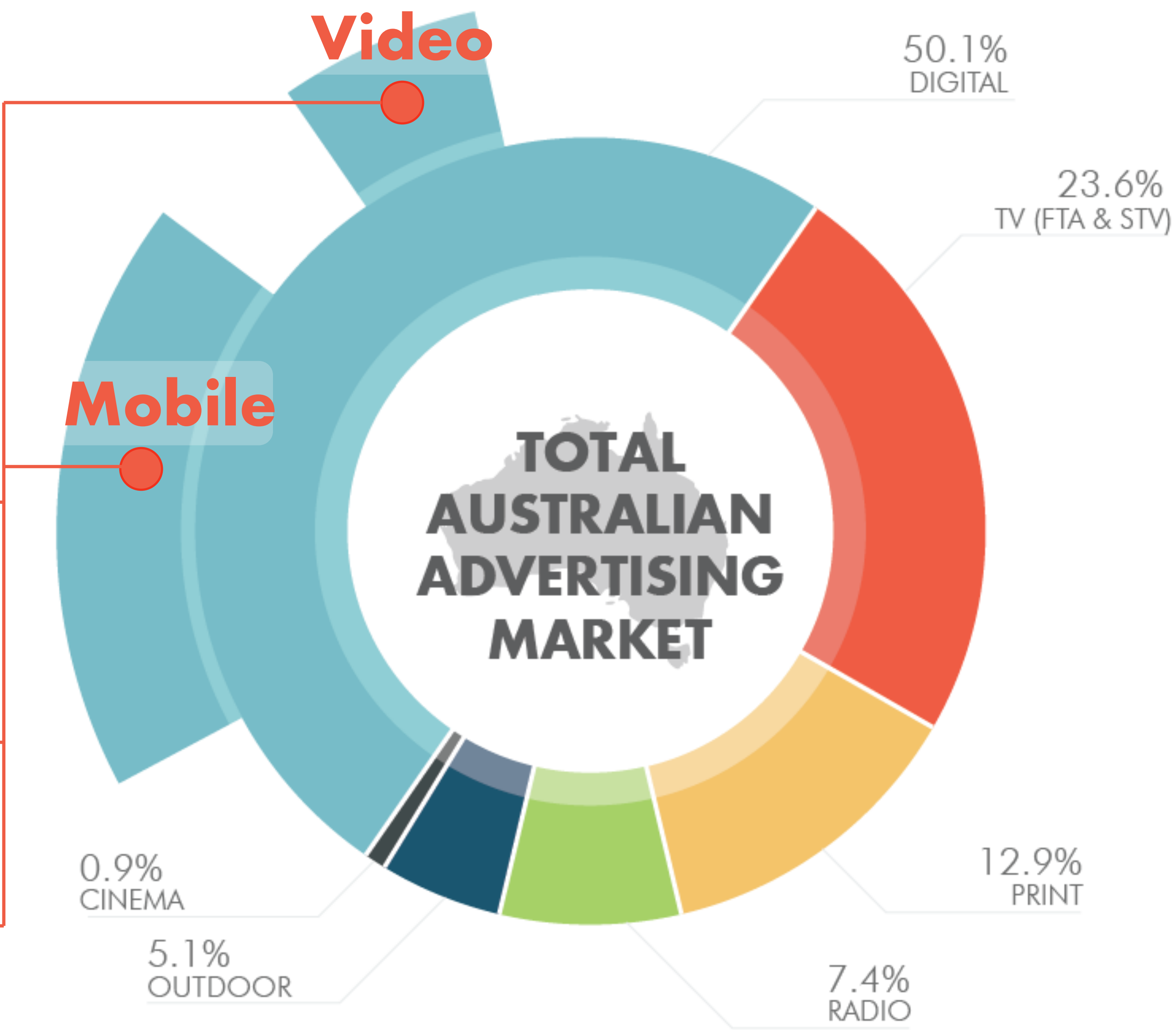
simplify inspire

iab. australia

AD REVENUE H1 2017 (Jan-Jun)

$7.5B Total Ad Market
50.1% of Total Paid Ad Mar
($3.77b)

Video
Now 6% of total ad market
Mobile
Now 18% of total ad market



Source: IAB Australia/PwC Online Ad Expenditure Report; CEASA

simplify inspire

iab. australia

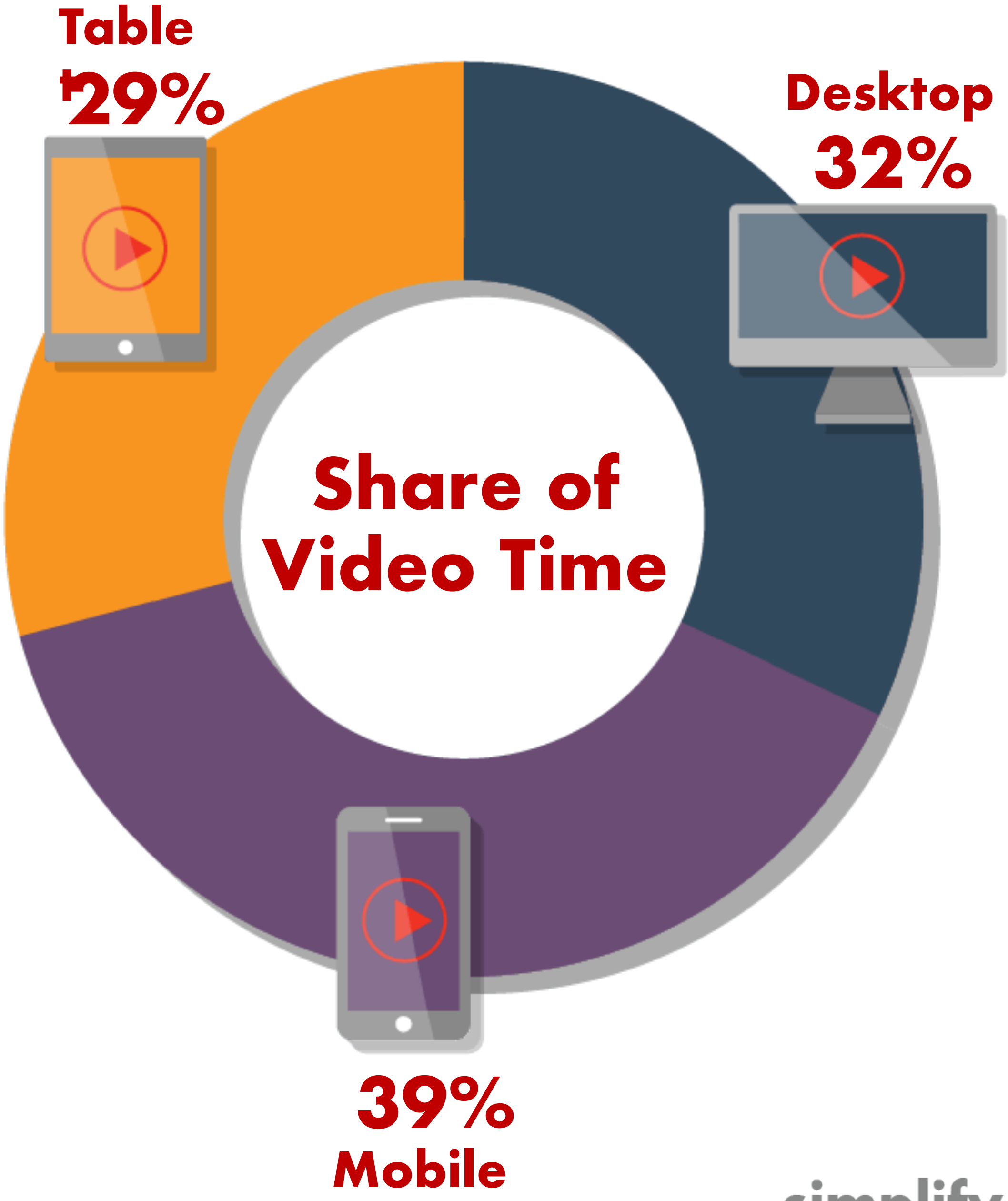
DIGITAL VIDEO MONTHLY UNIVERSE – 18+

Monthly video audience

81% of Australians aged 18+ (15.4m) are viewing

TIME PER MONTH PER PERSON
(hr:min:sec)

18-24	34:56:56
25-34	34:34:00
35-44	31:08:02
45-54	24:53:46
55-64	24:59:54
65+	9:27:25



Source: Nielsen Digital Content Ratings July 2017

simplify inspire

iab. australia

CONNECTED TV IAB WHITEPAPER

AUGUST 2017

simplify inspire

THE STATE OF DIGITAL VIDEO IN AUSTRALIA?

BIG & GROWING

82%
OF AUSTRALIANS CONSUME DIGITAL VIDEO PER MONTH

$788m

58%
YEAR ON YEAR

OTT/CTV - LONG FORM VIDEO PUBLISHERS SAY 1/3 OF CONSUMPTION IS CTV

Source: Nielsen/IAB DCR Data, 2017; PwC/IAB OAER, 2017

simplify inspire

iab. australia

35%
VIDEO SUPPLY FROM CONNECTED TV

"WATCHING TV"

ENGAGED

simplify inspire

iab.
australia

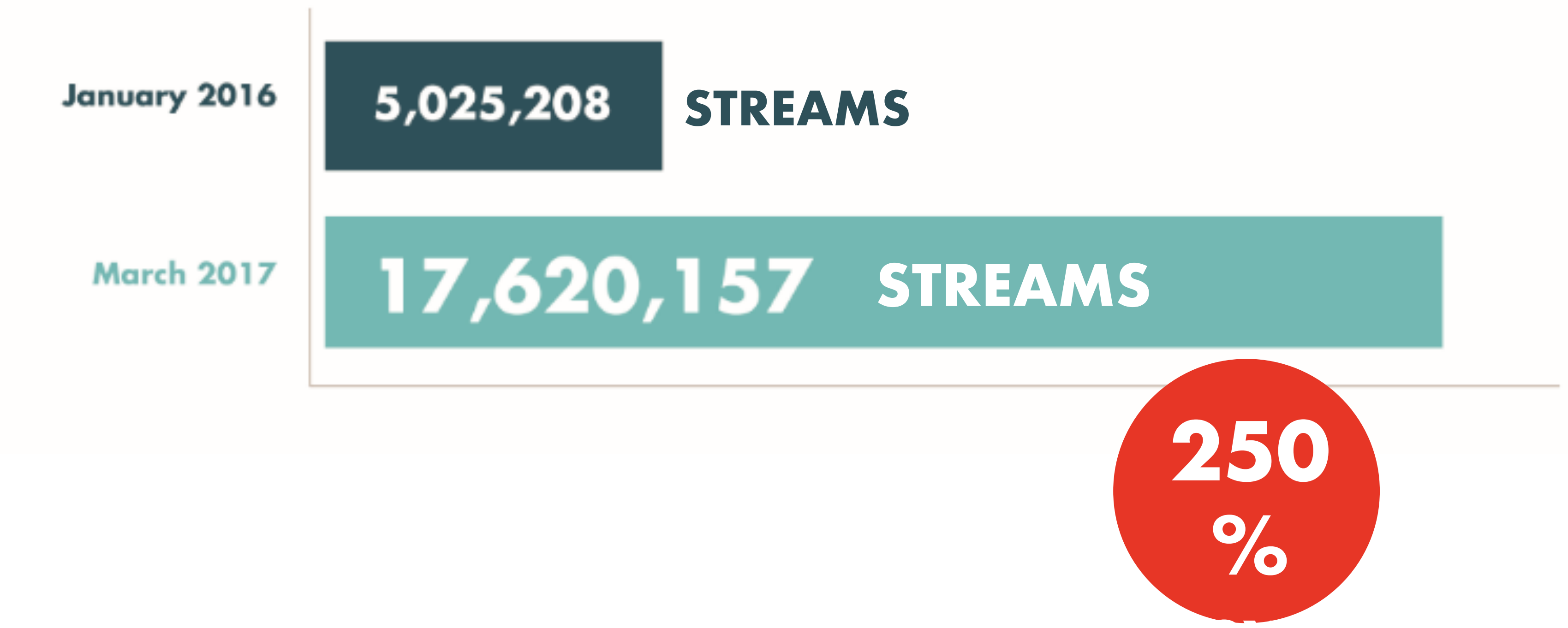
CONFUSION

TECH

SCALE?

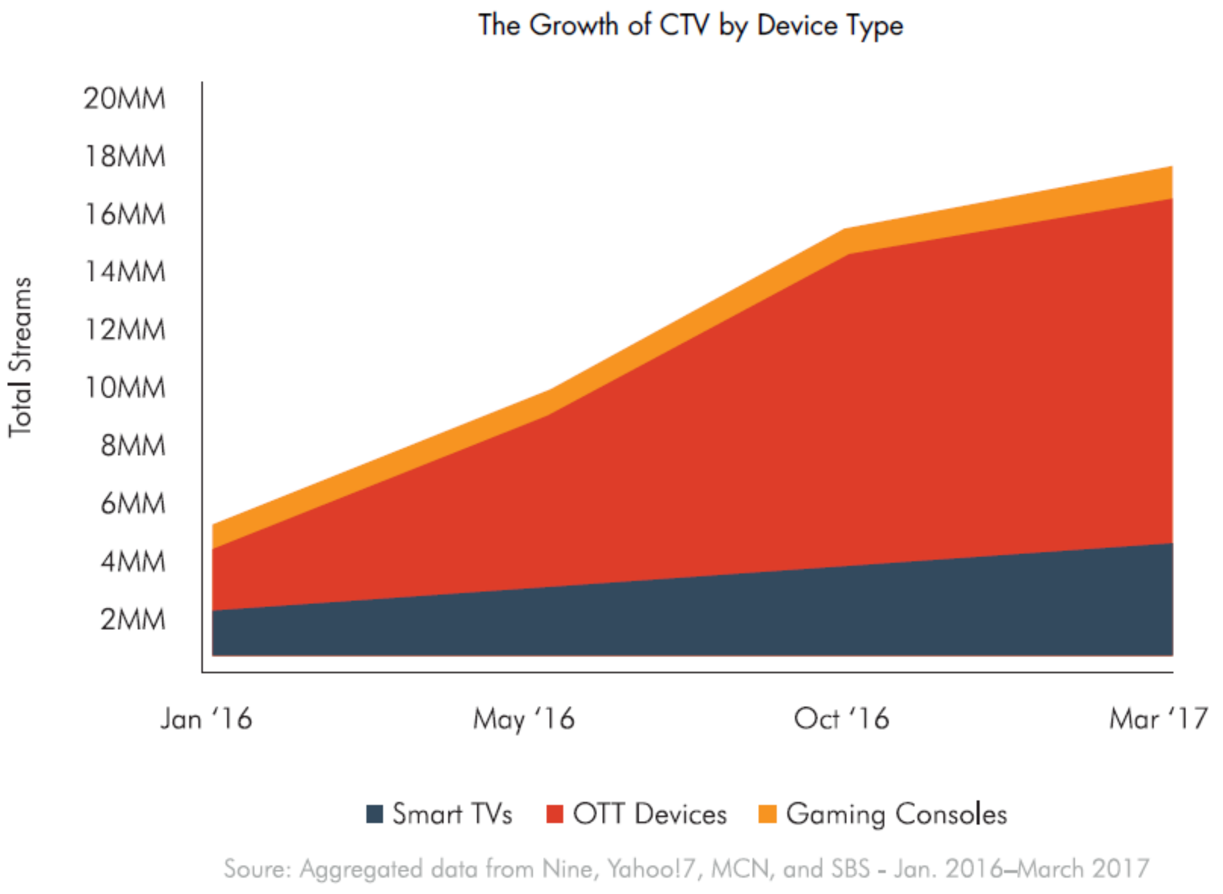
simplify inspire

IS CTV SCALABLE?



simplify inspire

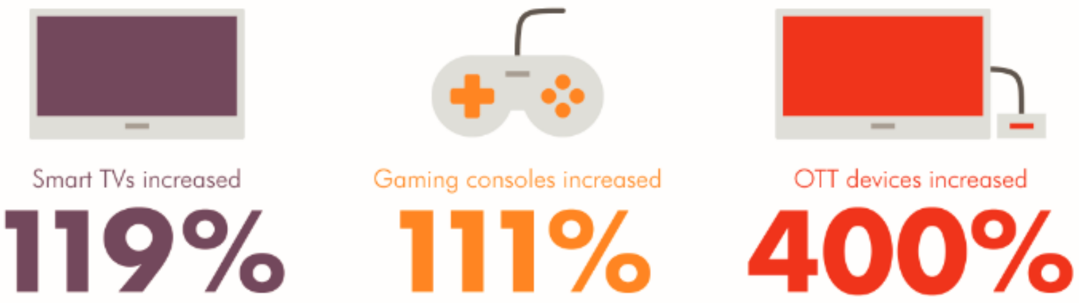
WHERE IS THE GROWTH COMING FROM?



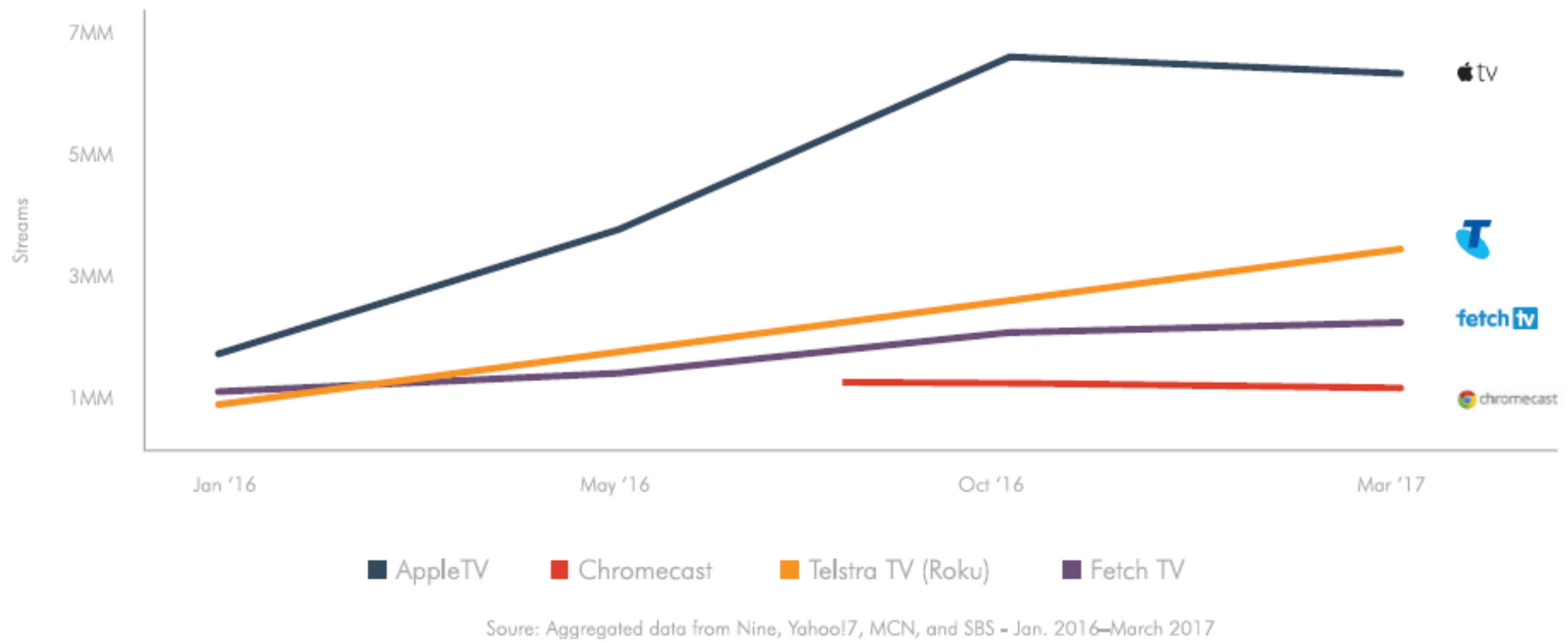
iab. australia

simplify inspire

WHERE IS THE GROWTH COMING FROM?

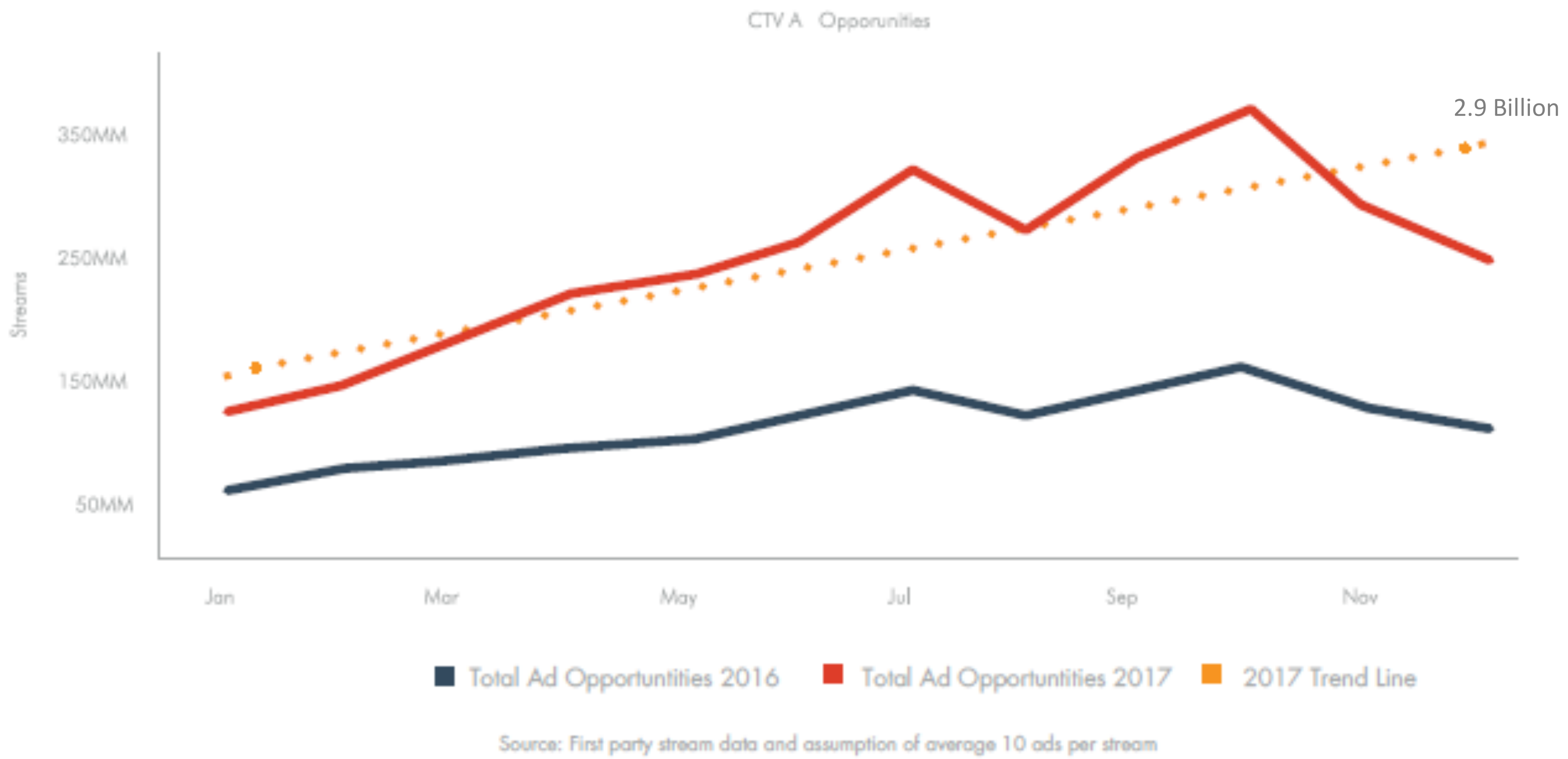


WHICH OTT DEVICES ARE LEADING?



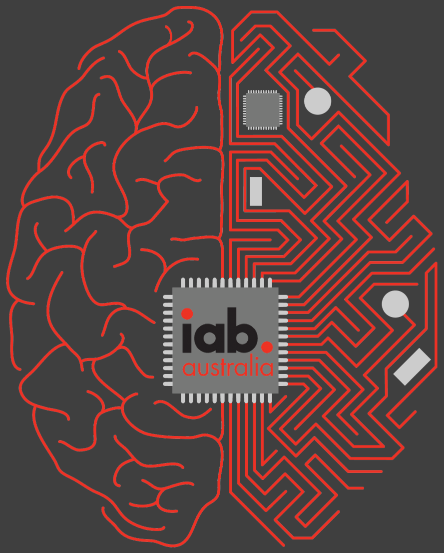
simplify inspire

WHAT DOES IT MEAN FOR ADVERTISERS?



simplify inspire

iab. australia



simplify inspire

CHALLENGES

MEASUREMENT & STANDARDS

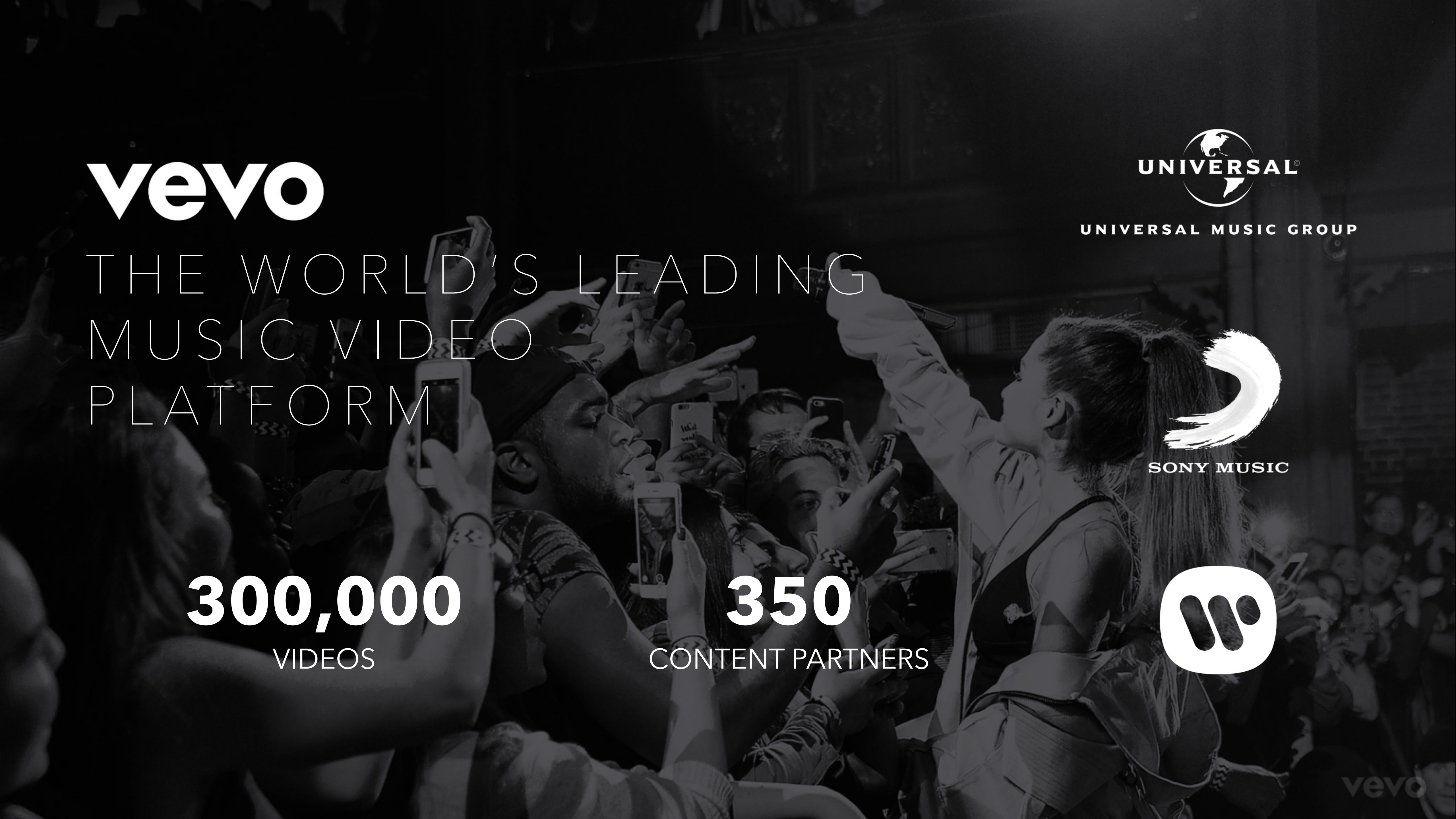
Trying to measure behaviour across a range of different OTT devices (such as Apple TV and Chromecast), gaming consoles and smart TVs that all work in different and often proprietary ways is technically difficult and expensive to implement a market level solution.

CTV content includes a diverse range of stakeholders, traditional broadcasters, OTT providers, digital video content (e.g. YouTube) which means that a CTV measurement solution needs to be a collaborative process across a wide spectrum of the broadcast and digital media industry.

vevo
OTT OVERVIEW

Ivan.Fuyala@vevo.com
SVP Commercial Partnerships
+1 917 226 2156

OCT 2017



vevo

THE WORLD'S LEADING MUSIC VIDEO PLATFORM

300,000
VIDEOS

350
CONTENT PARTNERS

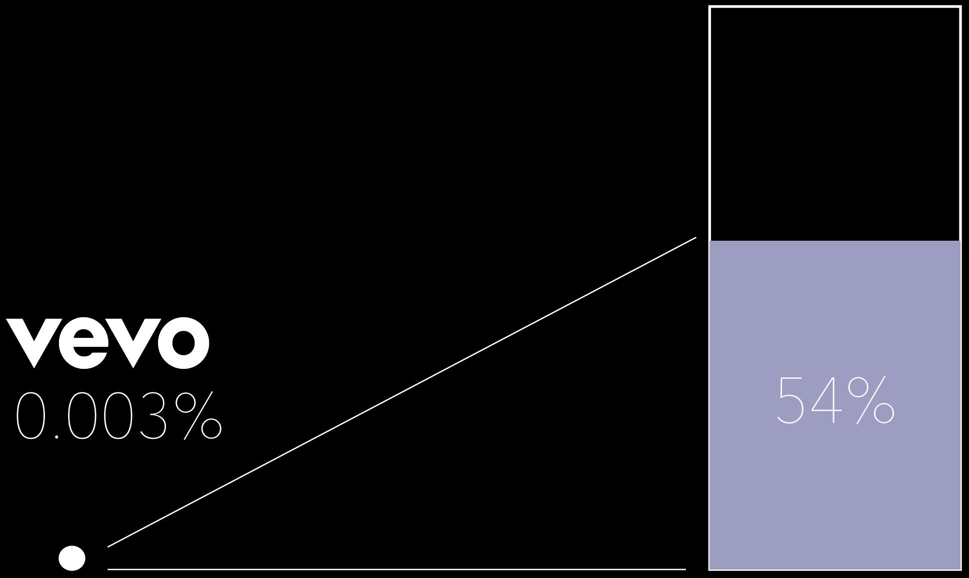
UNIVERSAL

UNIVERSAL MUSIC GROUP

SONY MUSIC

vevo

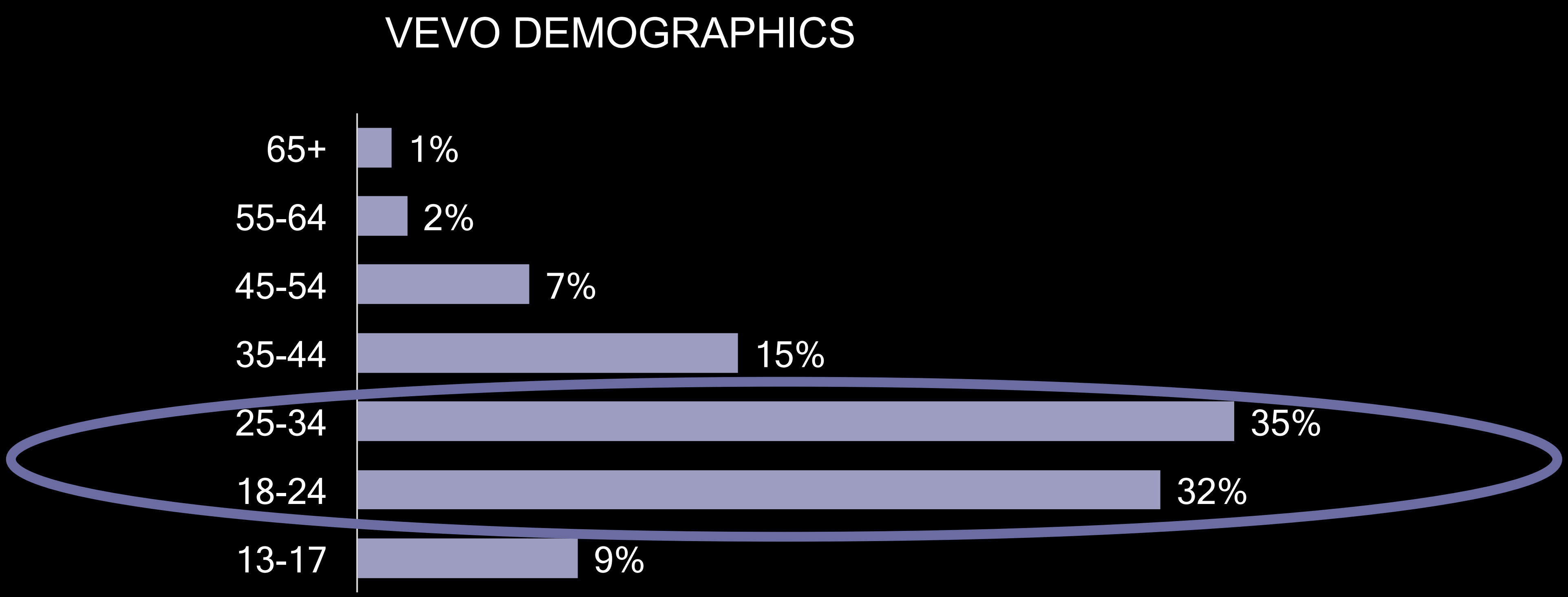
VEVO ON YOUTUBE:
FRACTION OF CONTENT: MASSIVE AUDIENCE



"Vevo music videos make up over 54% of monthly audience"

(Source: comScore Cross-Platform Video Metrix, US March 2017. . Please note that the Total Digital and Mobile columns only reflect mobile reporting for A18+ at this time.)

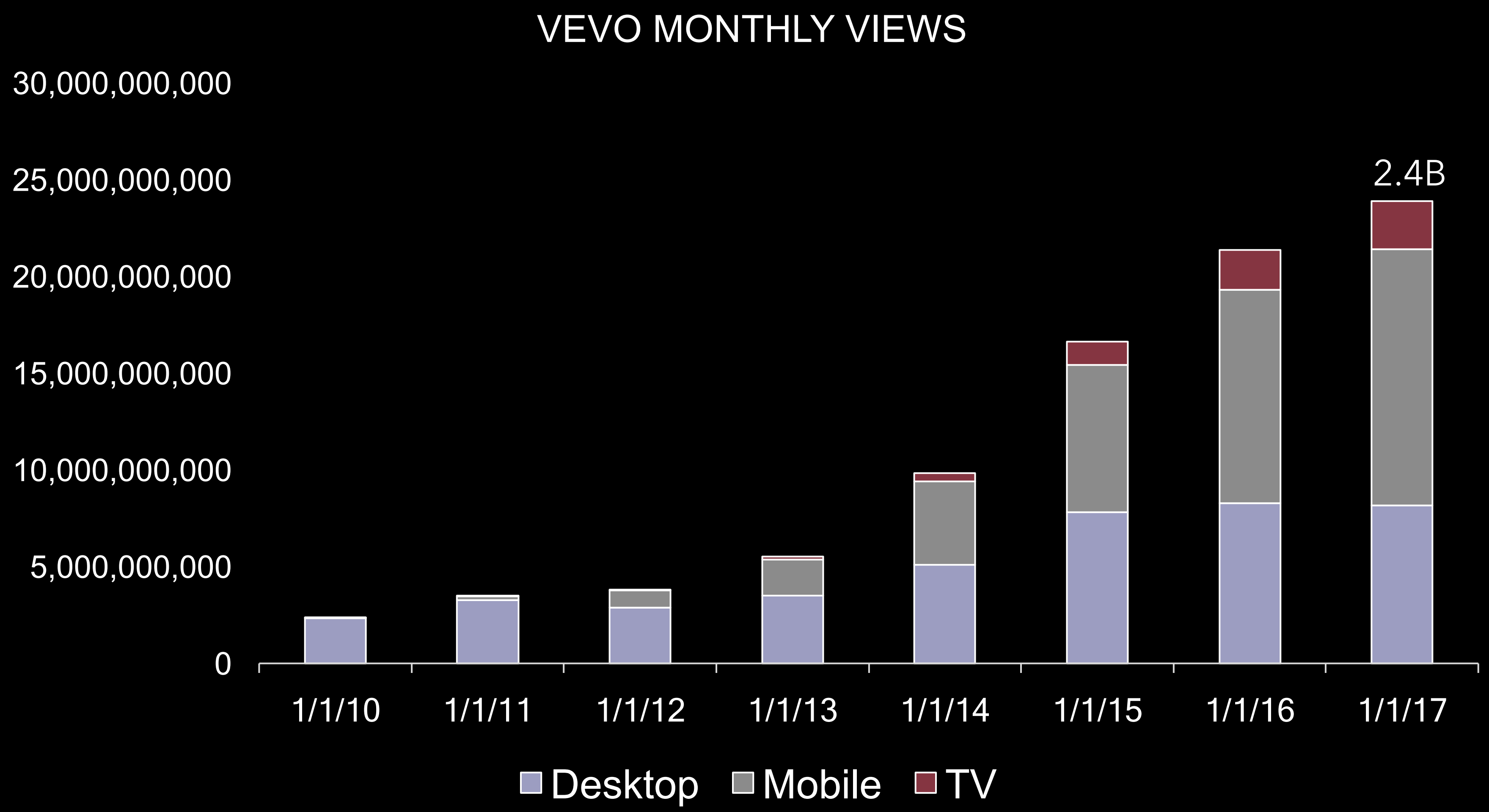
MILLENIALS ARE OUR CORE AUDIENCE



M 56% | F 44%

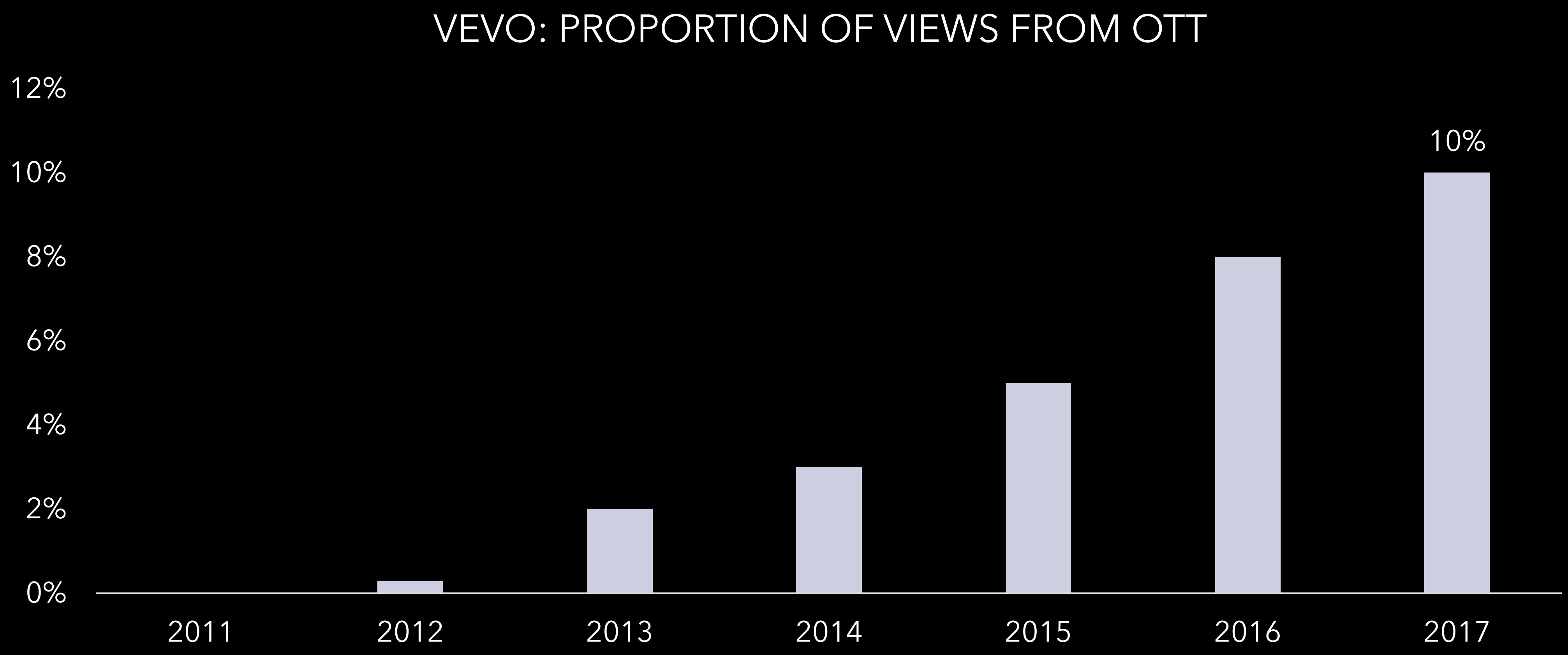
Source: Vevo internal analytics and YouTube analytics Aug 2017

VEVO: EXPONENTIAL GROWTH



vevo

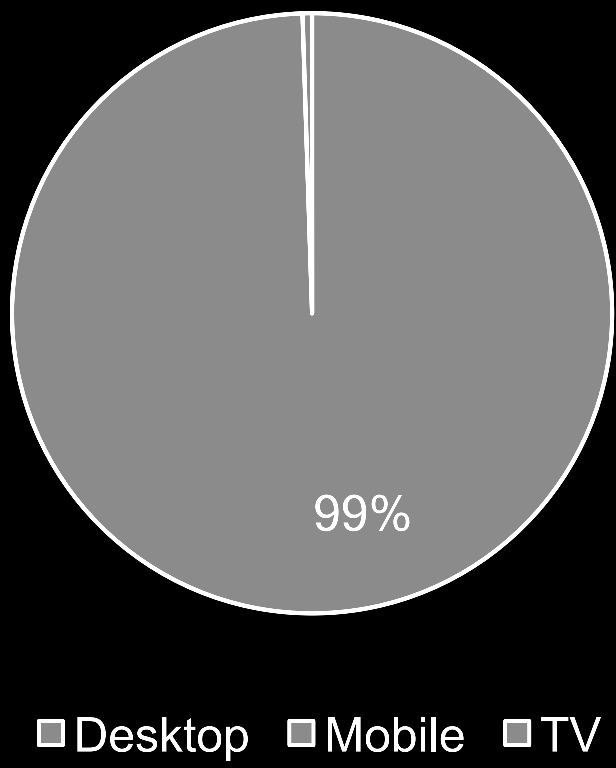
OTT: 5X INCREASE IN SHARE OF VIEWS



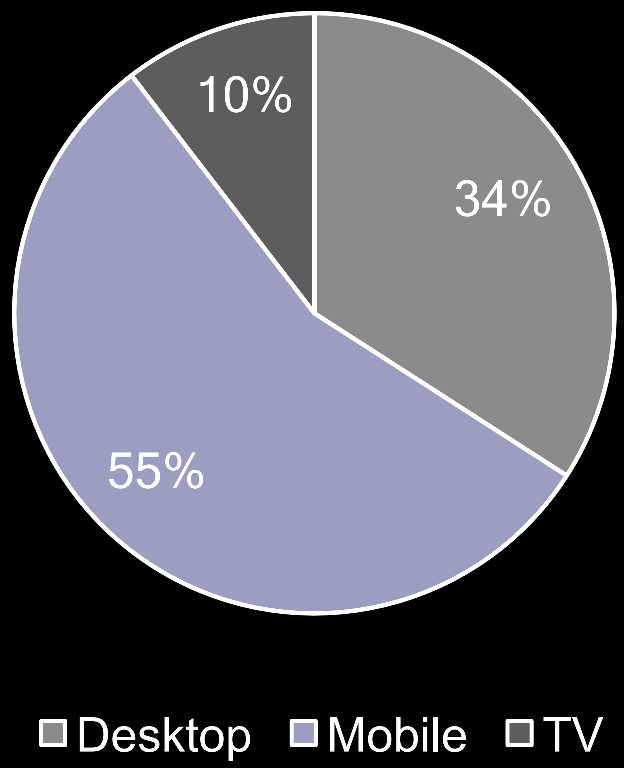
Source: Vevo internal analytics

FUTURE: SMALL SCREENS AND BIG SCREENS

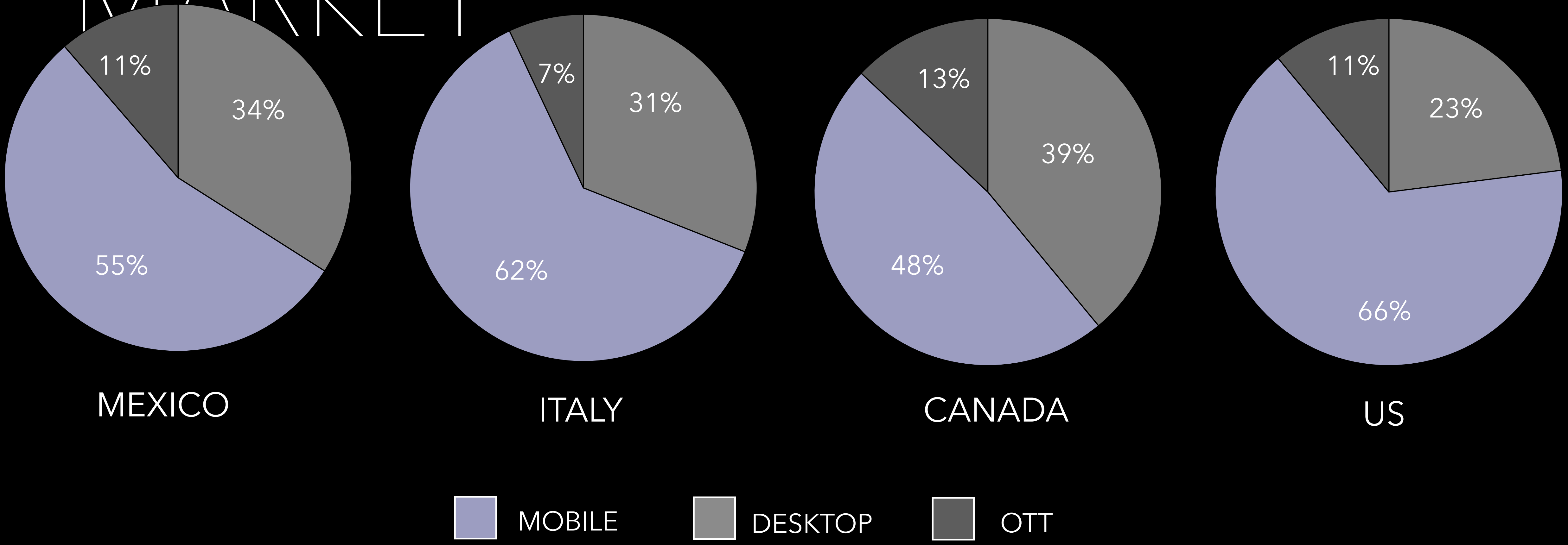
2010



2017



OTT PERCENTAGE VARIES BY MARKET



Source: Vevo internal analytics September 2017

vevo

TV USERS WATCH MORE VEVO PER VISIT

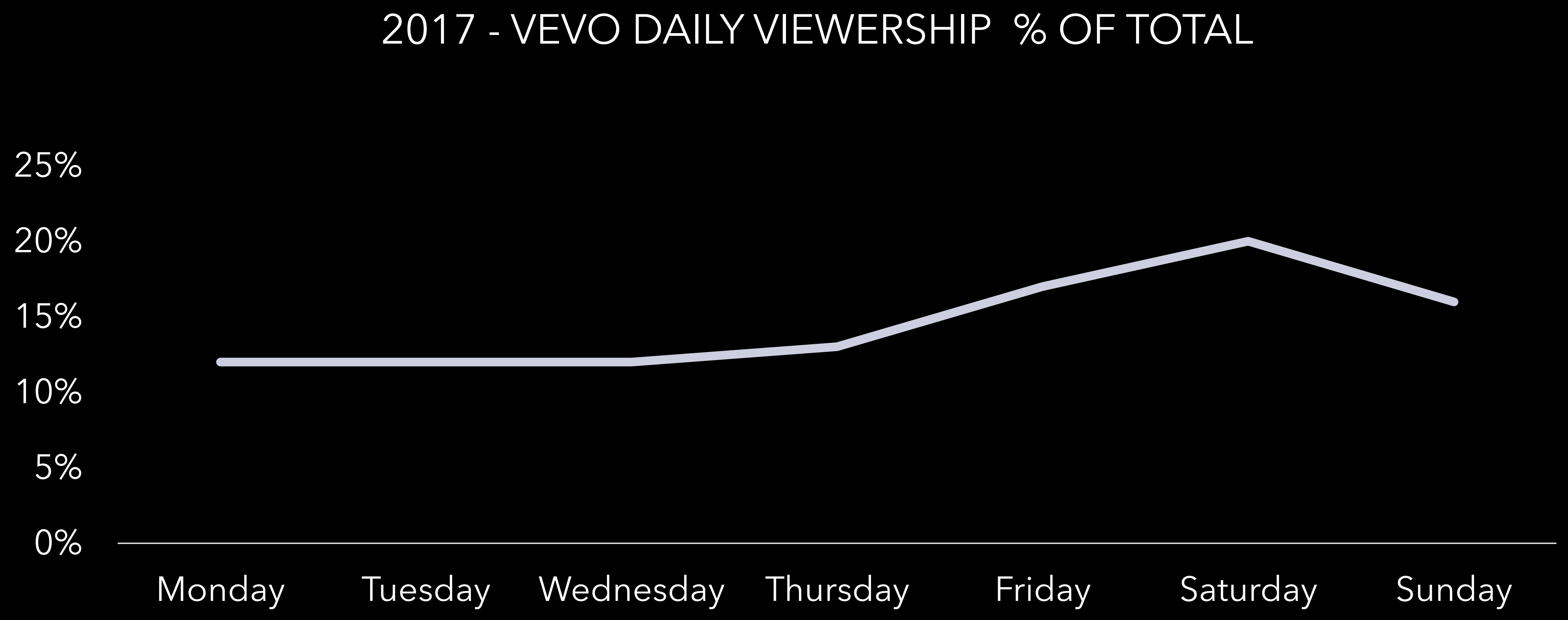
HIGHER MONTHLY TIME SPENT PER SESSION REFLECTS CONNECTED TV'S "LEAN BACK" ENVIRONMENT

81

MINUTES PER SESSION

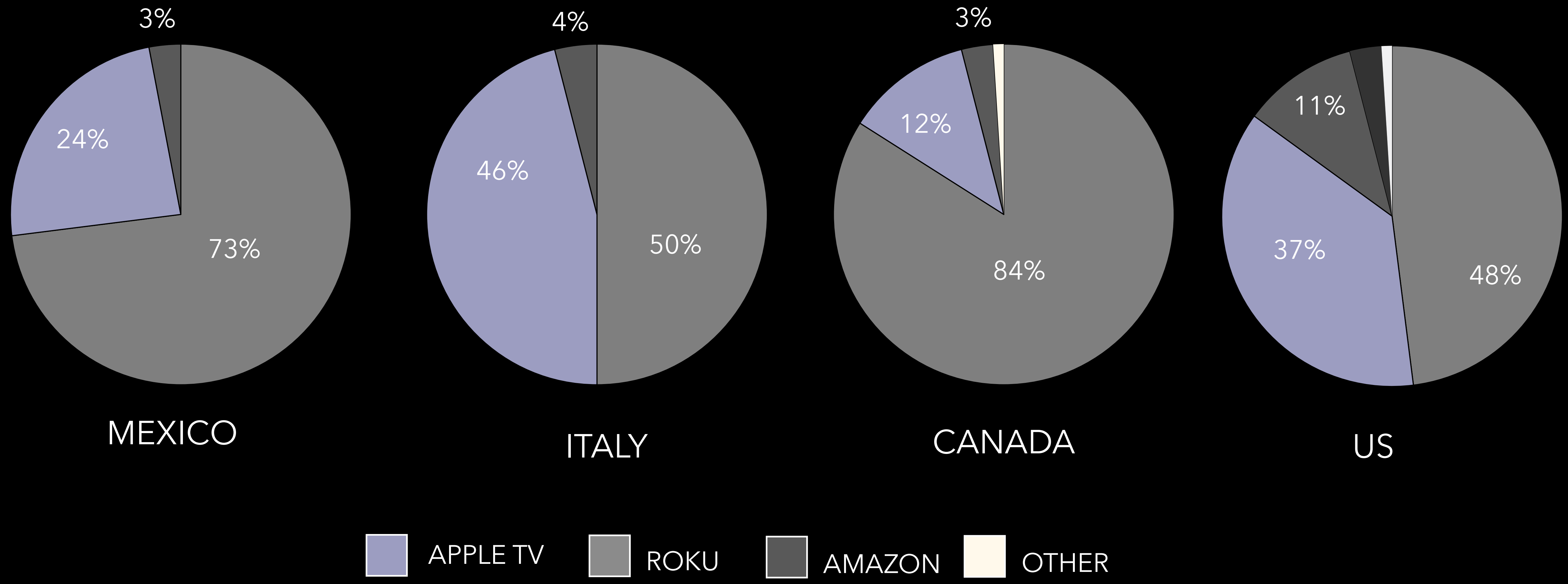
Source: Vevo Internal Analytics, CA Q2 2017 viewing metrics

OTT VIEWS PEAK ON FRI & SAT NIGHT



Source: Vevo Internal Analytics, CA '15-'17 daily viewing metrics. 2017 viewership through 10.1.17.

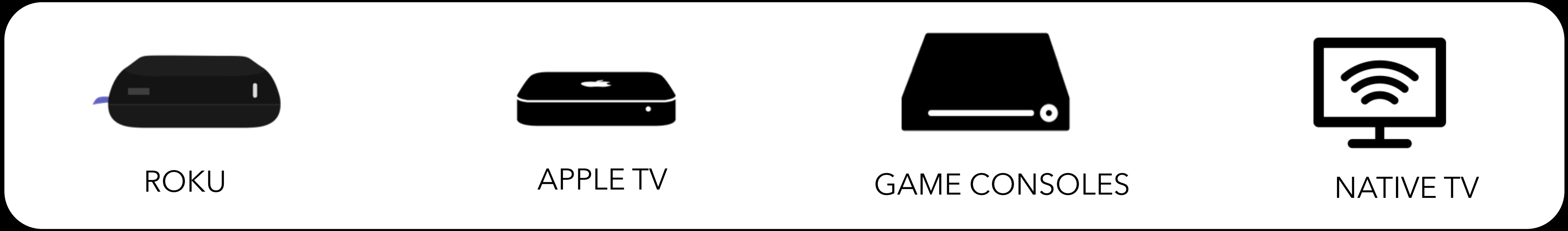
APPLE AND ROKU WITH AMAZON UP



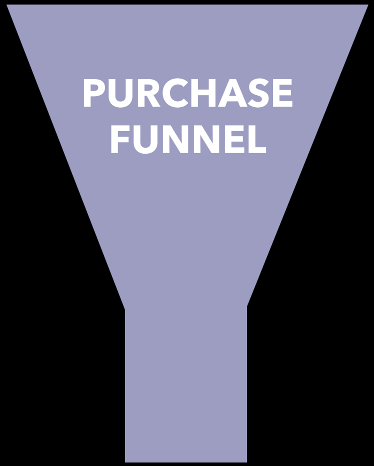
Source: Vevo internal analytics September 2017

PRODUCT CHALLENGES:

1. Fragmentation - All have different operating systems
2. ‘First Voice’ becoming an increasingly important part of discovery
3. OTT providers want to control discover at the root level
4. Some are asking for ad inventory/ revenue



OTT MEASUREMENT CHALLENGES:



1. **Viewability** – Very limited due to SDK & no VPAID
2. **Demo** – Nielsen DAR available through Roku network
3. **Brandlift** – Very nascent (mainly IP based)
4. **Purchase** – Limited to those who have 1st party data or IP based matching solution with sample issues

TARGETING CHALLENGES:

1. Matching is restricted to whatever the publisher can match or IP
2. Apple and Roku do have IDs that data companies can start to use
3. For those on YT - None of the 3rd party data in DFP extends to OTT
4. Experian/Axciom linking household level data for linear TV & OTT
5. To date "device graphs" have struggled to extend to CTV at scale

vevo

OTT OPPORTUNITIES FOR PUBLISHERS

- Opportunity for digital 1st publishers to own SOV in living room
- Those with registration data can participate in addressable TV ecosystem (matching CRM)
- Opportunity for AVOD publishers to drive CPM due to scarcity
- As 3rd party data sets start to accurately extend into this ecosystem, publishers may be able to target more accurately


FAST GROWING
PLATFORM


CHALLENGES:
Product
Targeting
Measurement


OPPORTUNITY

QUESTIONS