AUDIENCE TARGETING DRIVES BOTH UPLIFT AND INVESTMENT
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The wider video ad industry is seeing strong growth, at 17% year-over-year\(^1\), and premium video is no exception, as reflected by a 10% increase in ad views.

To capitalize on this, the industry is investing in growth platforms (mobile, Connected TV) and audience targeting capabilities. Although the marketing premise has remained the same—serving the right message to the right person at the right time creates the greatest impact—the execution has significantly changed.

In Q3 2019 premium video views grew 17% and ad views grew 10% in Europe, continuing a multi-year upward trend.
CHART 2
SHARE OF AUDIENCE TARGETED AD VIEWS, EUROPE
Q3 2019

24% Audience Targeted

+54% AD VIEWS

76% Non-Audience Targeted
INDUSTRY PARTNERSHIPS

Numerous moves in the market demonstrate that publishers, operators and tech vendors are focused on bringing audience targeting to premium video. This includes ITV’s partnership with Amobee, Liberty Global joining forces with Cadent, AT&T’s purchase of AppNexus and AT&T-owned Xandr’s acquisition of Clypd. ITV has opted to make its newly announced addressable solution, Planet V, available to other broadcasters. Other examples of collaboration include Project OAR, an initiative in which companies—including Freewheel, NBCUniversal, Discovery, Disney, CBS, AT&T, AMC Networks, and others—work together to create a new, open standard for addressable TV advertising.

There are also measurement initiatives in the industry. For example, CFlight is the industry’s first unified advertising metric and addresses advertisers’ demand for a consolidated, trusted view across linear and digital as they target precise audiences. Many broadcasters are adopting these metrics alongside traditional measures. For example, having already adopted CFlight in the UK, Sky continues to work with BARB to enhance its measurement capabilities. Nielsen’s GM, Kelly Abcarian confirmed these sentiments in an interview with Beet.TV; she said that “all media is going to go addressable,” and that “measurement is a team sport and everyone has to collaborate.”
All of these partnerships and initiatives reflect the ecosystem’s willingness to invest and work to drive growth while putting standards in place to support compliance and comparability. Many of these collaborators are in commercial competition, yet the investments they are making are designed to be adopted industry-wide and are often open-source.

Industry standards are evolving, as evidenced by the newly released Advanced Television Systems Committee (ATSC) 3.0 standards and HbbTV 2.0 specifications. These advancements could enable advertisers around the globe to execute addressable advertising on a device or at a household level more effectively than previously possible. These standards are yet to be adopted at a large enough scale to meet publishers’ and advertisers’ current demands but it is frameworks such as these that allow convergence across growth platforms, such as CTV.
CONSUMPTION

Premium video audiences continue to favour the experience the big screen provides, followed by the convenience offered by mobile devices - as reflected in their consumption growth. Over half of premium video ads are viewed on the big screen delivering an immersive memorable advertising experience. Broadcast TV penetration is very high across Europe and the brands known for their linear content are still the key players driving digital consumption and its commercialisation.

CTV and STB account for 43% of ad views in Europe, signaling audience preference for the ‘big screen’ to watch premium video content.
AUDIENCE TARGETING

In the UK, Sky’s AdSmart has used their ownership of addressable and targeted datasets to open up the local market for premium video. Their strategy of expanding audience and data reach by partnering with Virgin, and soon Channel 4, is yielding significant results, with £1.2Bn spend across this inventory. Interest in addressable targeting is growing across verticals. According to a recent survey by FreeWheel of more than 400 agencies, 79% are interested in addressable, including the largest spending sectors of retail (21% share), healthcare (15%) and auto (13%).

As premium video audiences grow, it is important to make sure advertisers are able to easily reach them. Publishers and OTT pure-plays are, for example, taking part in initiatives such as FW Drive to sell their inventory programmatically across platforms (OTT, STB, CTV) and are seeing average deal revenue increase 1.7x.

The same survey revealed that the top three reasons cited by local and regionally focused agencies for using data-driven, audience-based TV advertising solutions were 1) delivering hard to reach audiences 2) reducing wasted impressions delivered out of target and 3) improving cost efficiencies. Reaching “hard to reach audiences” is just the first step—then you need to engage them. Data-driven targeting delivers here too, targeted adverts have a higher completion rate than those that are not targeted. Sky data reveals similar findings, with their targeted ads having a 21% higher engagement.
Another factor in the growth of audience targeting is regulation. The initial ‘Consultation Publique’ held by the Ministère de la Culture, France in October 2017 is expected to result in 2020 being the year that linear spot replacement is allowed. This approach is already being demonstrated, with the L-Banner on all M6 channels educating advertisers on the benefits of localised targeting. Orange and CANAL+ are already demonstrating proof of concept capability and predict that addressable TV advertising will deliver €200 million in incremental revenue for the French television industry over the next three years – half of it from geo-targeting via the TV. In Spain, Atresmedia is using the same format with 25% of TV sets supporting the technology.

If regulation changes, as is predicted in France, speed to market of new offerings is paramount for broadcasters. Delivery will require far-reaching business changes, as these new solutions affect how broadcasters approach linear/digital sales, campaign management and data strategy. This is in addition to the investments associated with the requisite technology change.

As advertisers come to expect both demographic and behaviour-based targeting, differentiation will be from the additional data-sets and matching options. In addition to sourcing the data, it is challenging to safely match it. “If you’re a first party data holder, you want the ability to query everybody else’s first party data without having to expose your data to the outside world,” said Dave Clark (EVP, FreeWheel) in reference to FreeWheel’s Blockgraph solution. Whichever approach is taken, the ability to share and match audience segments with others is important and, with the growth of programmatic ads (27%), and projected programmatic video ad spend growth (40% ‘19, 23% ‘20), it will need to be open and extendable.

Now is the time for broadcasters to invest to ensure they are meeting advertisers’ expectations for addressable advertising. Demand for these capabilities will only increase as more advertisers see the impact of the premium video broadcasters’ ability to find and engage precise audiences.
**CHART 6**

**CONTENT FORMAT COMPOSITION, EUROPE**

Q3 2018 - Q3 2019

- **CLIPS (0-5MIN.)**
  - Q3 2018: 4%
  - Q3 2019: 13%

- **FULL-EPISODES (5+ MIN.)**
  - Q3 2018: 86%
  - Q3 2019: 79%

- **LIVE**
  - Q3 2018: 10%
  - Q3 2019: 17%

+19% YOY

-5% YOY

**CHART 7**

**FORMAT COMPOSITION BY DEVICE, AD VIEWS, EUROPE**

Q3 2019

- **Desktop**
  - Q3 2019: 17%

- **Mobile App**
  - Q3 2019: 10%

- **Connected TV**
  - Q3 2019: 99%

- **STB**
  - Q3 2019: 1%

- **CLIPS (0-5MIN.)**
  - Q3 2019: 5%

- **FULL-EPISODES (5+ MIN.)**
  - Q3 2019: 59%

- **LIVE**
  - Q3 2019: 36%
CHART 8
SHARE AND GROWTH OF AD VIEWS BY SYNDICATION PLATFORM, EUROPE
Q3 2019

Breakdown by Channel

<table>
<thead>
<tr>
<th></th>
<th>Q3 2018</th>
<th>Q3 2019</th>
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</thead>
<tbody>
<tr>
<td>Distributor Platforms</td>
<td>88%</td>
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</tr>
<tr>
<td>Publisher Platforms</td>
<td>12%</td>
<td>9%</td>
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</tbody>
</table>

Total Volume of Ad Views, Europe

- Distributor Platforms: +18% YOY (84%)
- Publisher Platforms: +7% YOY (16%)
**Chart 9**

**Average Number of Ads per Pre-Roll Break, Full Episodes, Europe**

**Q3 2019**

<table>
<thead>
<tr>
<th>Device Distribution of Ads per Pre-Roll Break</th>
<th>Q3 2018</th>
<th>Q3 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>STB</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Desktop</td>
<td>2.1</td>
<td>2.1</td>
</tr>
<tr>
<td>Connected TV</td>
<td>2.1</td>
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</tbody>
</table>

**Q3 2018 vs. Q3 2019**

<table>
<thead>
<tr>
<th>Break Duration</th>
<th>Q3 2018 AVERAGE</th>
<th>Q3 2019 AVERAGE</th>
</tr>
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<tbody>
<tr>
<td>46s</td>
<td>2.2</td>
<td>2.2</td>
</tr>
<tr>
<td>44s</td>
<td>65%</td>
<td>26%</td>
</tr>
</tbody>
</table>
CHART 10
AVERAGE NUMBER OF ADS PER MID-ROLL BREAK, FULL EPISODES, EUROPE
Q3 2019

Q2 2018 vs. Q2 2019

Q2 2019 by Device

Distribution of Ads per Mid-Roll Break

CHART 11
AD COMPLETION RATES BY DURATION, EUROPE
Q3 2019
AUTHOR BIOS

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Q3 2019 / FREEWHEEL VMR - EUROPE / #FreeWheelVMR
Glossary

Ad Completion Rate: Measures the percentage of ads that were completed once started.

Ad View: An impression that is accrued after the first frame of an ad is displayed.

Aggregator: A high-traffic content aggregator, for example AOL or MSN.

AVOD: Advertising video on demand business model.

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

Content vertical: Content genre, e.g. news, entertainment, sports.

Deal ID: Unique deal identifier of a programmatic transaction that can be used to match advertisers and publishers directly.

Direct-sold: Advertising deals made directly between a publisher and an advertiser.

Distributor: A party other than the content rights owner that manages the platform upon which content and advertisements are delivered.

Dynamic Ad Insertion (DAI): technology that allows advertisers to serve different ads to each viewer based on viewer audience insights and ad campaign performance.

FreeWheel Council for Premium Video (FWC): Serves the interests of those in the premium video industry through leadership positions, research, and advocacy to promote the premium video economy.

Hybrid broadcast broadband TV (HbbTV): Global initiative aimed at harmonizing the broadcast and broadband delivery of entertainment services to consumers through connected TVs, set-top boxes and multiscreen devices.

Impression: Occurs each time an ad is displayed. Synonymous with “ad view”.

Inventory: Advertising inventory is the number of advertisements, or amount of ad space, a publisher has available to sell to an advertise.

Linear: Traditional broadcast, cable, or satellite television.

Long-tail: Small scale/niche content aggregators.

Mid-roll: An ad break that occurs in the middle of content.

Multichannel Video Programming Distributor (MVPD): Provides pay TV services delivered either through broadcast satellite or cable TV. Examples include Comcast and Verizon.

Operator: Provides pay TV services in the EU, functioning similarly to MVPDs in the U.S. Examples include Sky UK, Sky Germany and SFR.

Over-the-top (OTT): Viewing content delivered over an internet connection. Typically seen as OTT Device, which includes devices like Roku, Apple TV, Connected TVs, etc.

Over-the-top Device (OTT Device): Viewing content delivered over an internet connection on a TV streaming device, including devices like Roku, Apple TV, Connected TVs, etc.

Pre-roll: An ad break that occurs before content starts.

Premium Video: Professionally produced rights-managed content, delivered via curated user experiences in a brand-safe context to highly engaged audiences. Video content that is professionally produced, rights managed, and limited in supply.

Programmatic: The use of automation software or managed services to execute an advertising deal.

Publisher: Producers or syndicators of content. This can be programmers or digital pure-plays.

Server Side Ad Insertion (SSAI): Technology that enables the stitching together of video and ad content prior to delivery to the player.

Simulcast: A digital stream of a live event that is simultaneously broadcast on linear TV.

Syndication: Viewing that occurs outside of a publisher’s Owned and Operated properties or primary platforms.

TV Everywhere (TVE): Apps that allow viewers to access content over the internet by logging in with their MVPD subscription credentials.

Video Start: Accrued after the first frame of video content is displayed. Formerly referred to as video view.

Virtual MVPD (vMVPD): Digital-only cable alternatives that offer access to both live and on demand premium video content for a subscription fee.
THE FREEWHEEL VIDEO MARKETPLACE REPORT highlights the ways in which advertisers, publishers and distributors are using premium video content to drive advertising outcomes.

The data set used for this report is one of the largest available on the usage of professional, rights-managed video content worldwide and is based off of census-level advertising data collected through the FreeWheel platform.

SOURCES


[6] “Channel 4 in talks to join Sky’s AdSmart” (2019), Retrieved at: https://www.campaignlive.co.uk/article/channel-4-talks-join-skys-adsmart/1595271


