THE DELICATE ART OF BALANCING AD LOAD

A REPORT BY THE FREEWHEEL COUNCIL FOR PREMIUM VIDEO, EUROPE
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Executive Summary

Establishing optimum ad load for premium video in a non-linear environment is a delicate balancing act for premium publishers and broadcasters. They want to maintain a positive user experience and avoid excessively disrupting content consumption, while at the same time ensuring advertisers reach their campaign goals and ideally increase their spend. This in turn will fuel investments in premium content allowing the virtuous cycle to continue.

Ad experiences in premium environments are very carefully managed and while there are established regulations in place for the volume of ads that can be shown on linear TV — with the European Commission changing the rules in 2016, from a maximum of 12 minutes per hour to 20% of total broadcasting time to increase flexibility — there is little consensus on acceptable ad loads for digital video.

This insight report explores current video ad load across European broadcasters and PayTV operators to help publishers to benchmark their own advertising strategies and better craft optimum ad experiences for their viewers.

Key insights include:

- The majority of viewer drop-off, 80%, occurs during content, implying that ads are not the main factor for people to leave a stream.

- Content above 5 mins goes out on average with 2 pre-rolls and 4 mid-rolls, with each ad being 20sec on average.

- Ad completion rates are above 90%, demonstrating the high engagement driven by premium content.

- The average number of ads has significantly gone down over the past 3 years.

"For premium publishers it is paramount to deploy ad strategies that do not impede the viewers experiences at the risk of having them turn to alternative options, of which they are many, and potentially losing them for good. In today's almost unlimited choice of viewing options — be it free content, through a paywall or even hybrid models — consumers are well aware of the exchange value between ads and premium content. So, it is in the hands of the publishers and advertisers to carefully manage and maintain the highest quality viewing experiences.

Boris Haug
VP Media Products & Operations
Sky Media Germany

What impacts optimum ad loads?

There are multiple factors that can influence optimum ad loads in premium environments:

Length of content: Long-form content provides more opportunity for different types of ad breaks such as pre-roll, mid-roll, post-roll and sponsorship. Individual ad breaks tend to be longer, with potentially more ads or lengthier ads in each break.

Content and context: Advertisers can target viewers based on the type of programmes they are watching. Specific content providing and ideal environment for some brands. Different types of content require different ad loads.

Length of ads: Different combinations of ad units (between 10, 20 and 30sec essentially) have a different impact on viewer attention and response which may influence ad load.

Type of ads: There is likely to be a variation in ad break length depending on the type of ad. Pre-roll ad breaks will be shorter to minimise the time it takes for the user to initially access content.

Endpoint: Mobile, desktop, gaming consoles and OTT platforms provide very different video viewing experiences that require different ad loads.

Type of publisher: Commercial broadcasters tend to have a higher ad load than national broadcasters or pay-TV operators as they have fewer income streams and are more dependent on ad revenues.
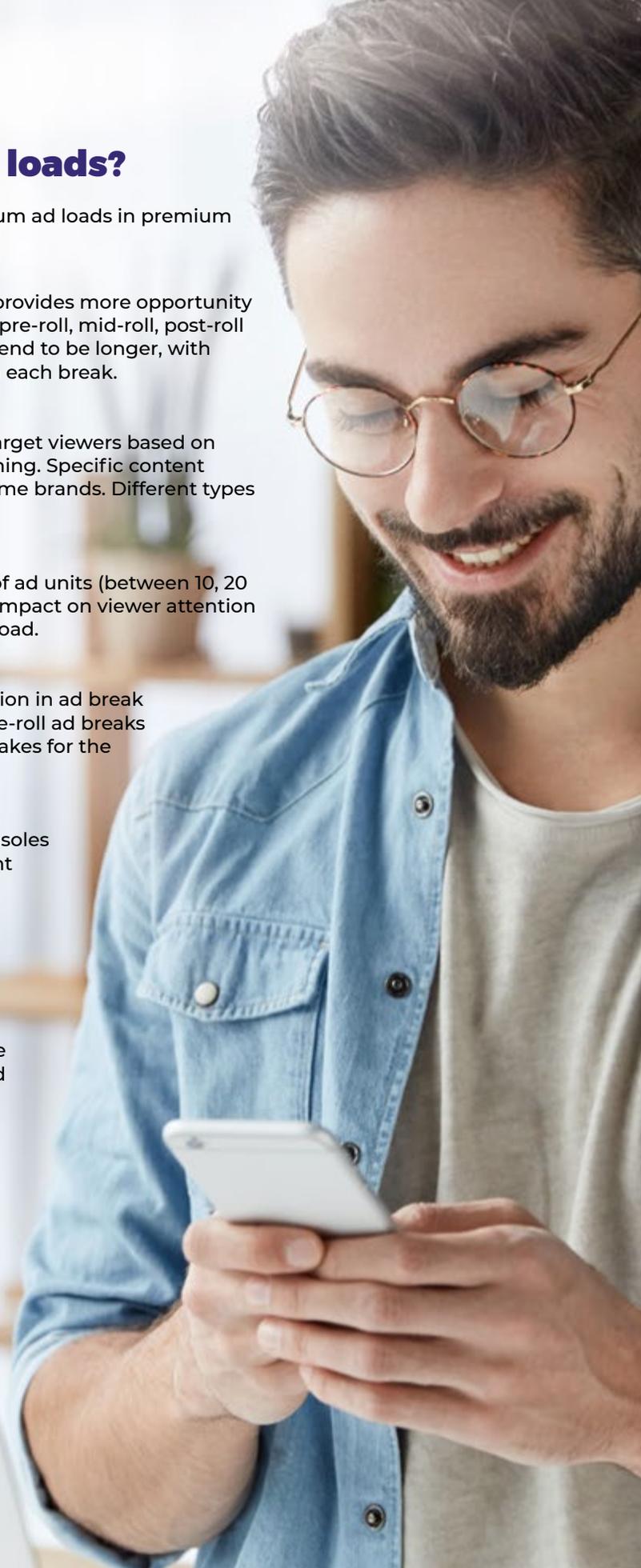
Publisher approach to ad loads

While user experience is at the heart of any premium video provider, delivering an optimum ad experience is a delicate balancing act at the intersection of revenue, user experience and campaign KPIs.

> Advertising needs to deliver on content funding and acquisition whilst also keeping viewers engaged. Curating that experience is complex to not compromise on the user experience and factoring tradeoffs through experimentation and analysis as to keep user engagement to an optimum

Anthony Polydorou
Operations Director,
STV

The Premium ecosystem is doing incredibly well at orchestrating and fine tuning their ad load balance, keeping in mind:

- The choreography (i.e. quantity, duration and sequence of ads)
- the frequency, the relevance (to the viewers)
- the control (viewer ability to control the experience)
- the execution (speed of delivery, viewing exp.).

Figure 1
Illustration of the delicate art of ad load balance

Ad Load

Buyers KPI's

Publisher Revenue
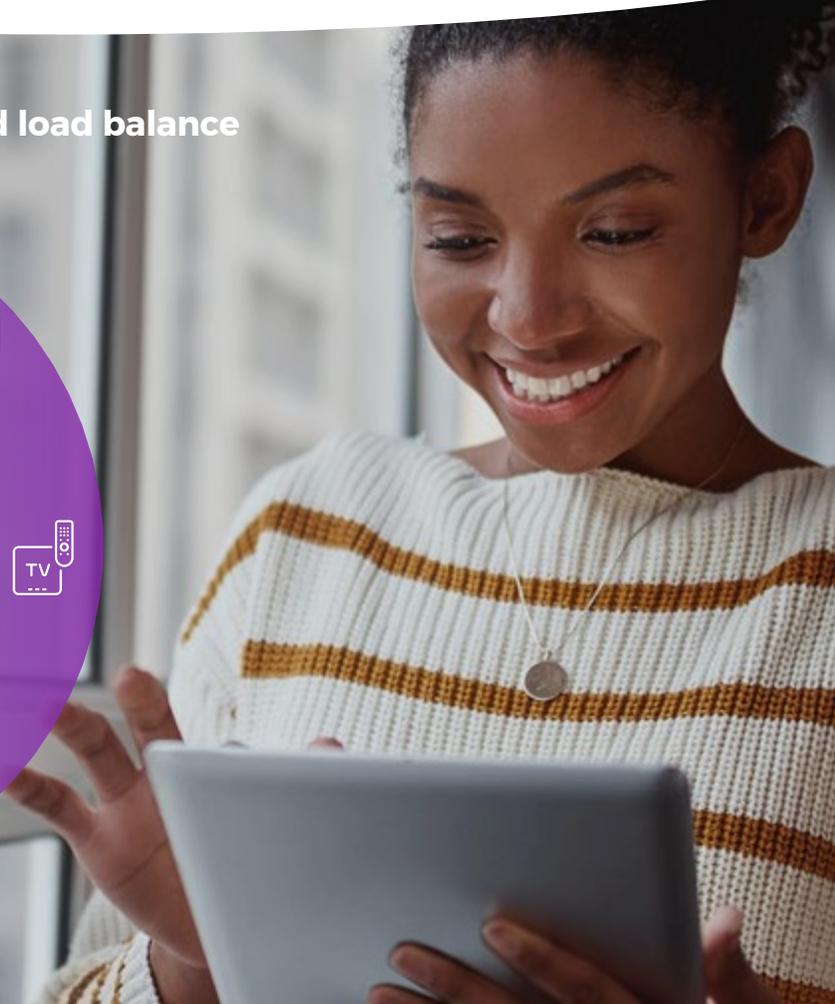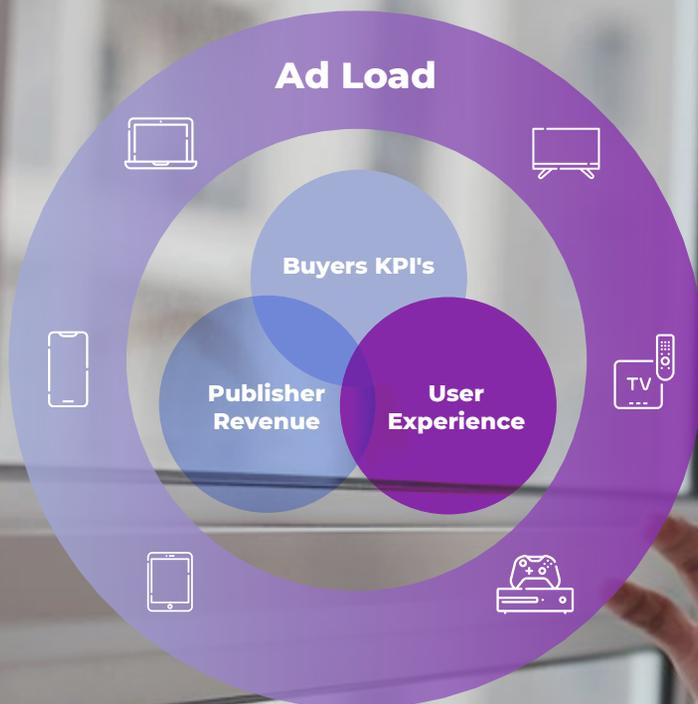
User Experience

Broadcasters and publishers across Europe (and the US) are for instance exploring lightening ad loads to improve the user experience.

Belgium's leading commercial broadcaster, DPG Media, saw a positive impact on both viewer satisfaction and ad revenue by lightening the per-session ad load on its VTM go platform, as well as offering more relevant advertising and the opportunity to skip previously seen ads.

> By showing them fewer ads more people actually use our platform and are more engaged. So yes, we are losing a bit of capacity, but we think we make up for that with having more users.

Olivier Van Zeebroeck
Digital Director,
DPG Media

Similarly, in the U.S. NBC Universal committed to reducing video ad load by 20% in primetime programming by 2020. To this end NBCU, launched the 60-second Prime Pod, a shortened stand-alone commercial pod that runs in the first break of primetime programming. By using the Prime Pod to reduce ad load and clutter, NBCU is seeing 28% more engagement, 27% greater brand awareness, and 25% increased brand interest.

Additionally, NBCU is launching Peacock its new hybrid AVOD/SVOD OTT platform, offering a variation of registration options: a free, ad supported, entry level with limited access to content, a mid-tier $4.99/m with carefully balanced ad load with full access to the content library and a premium unlimited access, ad-free, at $9.99/m.

Interestingly, while many see ads as a disruption and believe that advertising is a key reason for viewer drop off, data offers a slightly different perspective. Of the times when a viewer left a stream, 79% occurred in the middle of content, not advertising. That is across Europe, for every drop off in ads there are 4 within content. Additional analysis in the US have shown that this differs by devices, with drop off lowering as screen size increases. Drop-offs are also sensitive to devices, from earlier research we have seen major differences between desktop with higher drop-offs than STB and CTV/OTT platforms (lowest drop-offs).

Figure 2
Percentage of user drop-off ad vs content

21%
DROP-OFF IN ADS

PERCENTAGE OF USER DROP-OFF

79%
DROP-OFF IN CONTENT
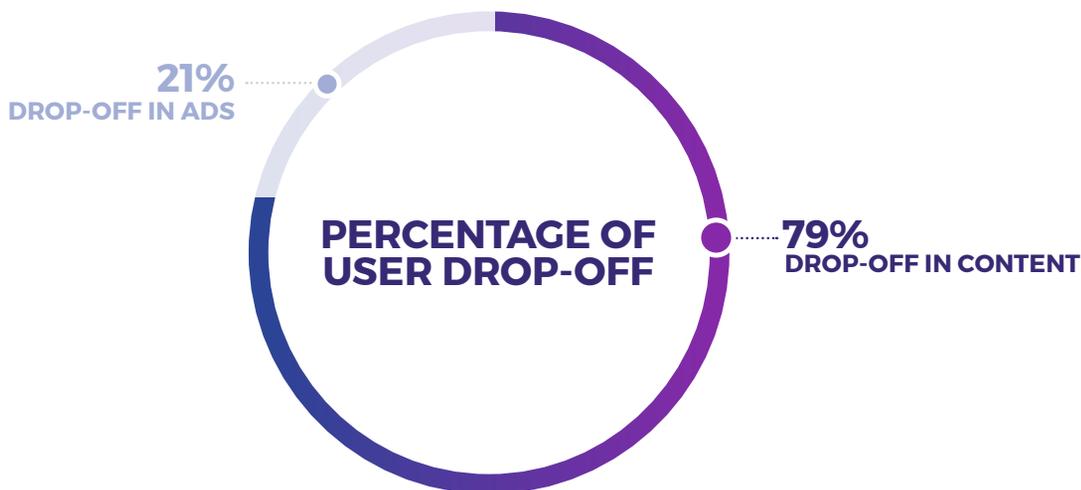
European Ad Curation

To delve deeper into ad loads around premium video content across Europe, the FreeWheel Council for Premium Video Europe, aggregated and analysed data from broadcasters and pay-TV operators across Europe over the course of the first half of 2019*.

Patterns in ad load by content length

The first challenge when analysing ad load by content length was to determine standard definitions, as each broadcaster has its own delineation for short-form and long-form video content. For the purposes of this paper we defined content lengths as:

Short form ▸ under 5 minutes of video content
Mid form ▸ between 5 and 30 minutes of video content
Long form ▸ over 30 minutes of video content

Below is the breakdown of the sample set, to show content is formed within premium video in Europe. Over half of premium video is made of medium length content while clips only represent 6% share.

Figure 3
Share of content type in premium environment

52%
Mid Length Content

42%
Long Length Content

6%
Clip Content

Figure 4
Illustration of break Vs Ads

Pre-Roll   Mid-Roll   Mid-Roll   Post-Roll

Ads   **Video content**   **Ads**   **Video content**   **Ads**   **Video content**   **Ads**

For clarity, here is how we define the terms Break and Ad.

● Breaks are the full slot of pre/mid and post-roll
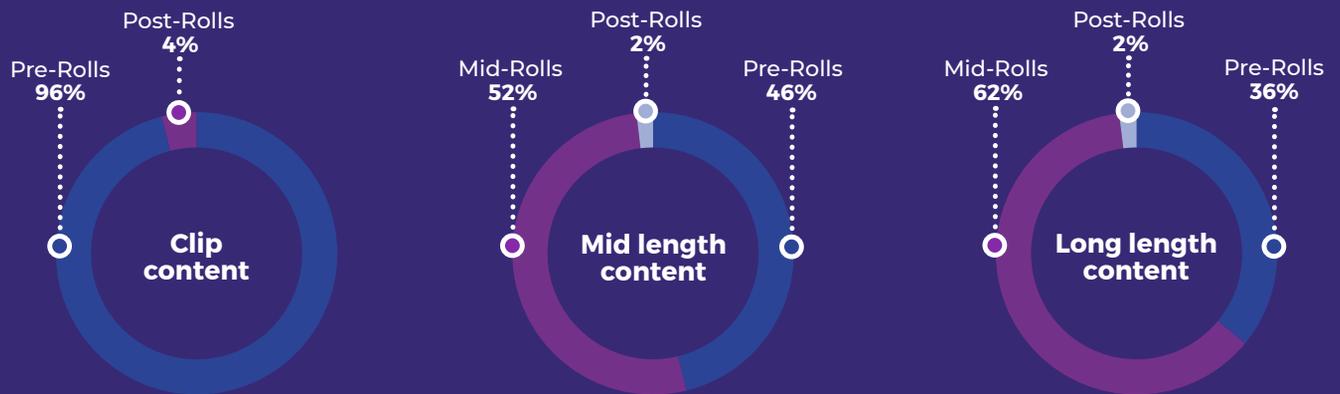● Ads are the segments within the break.

* Unless otherwise indicated, the graphics presented in this report originate from FreeWheel ad server aggregated data of over 20 national broadcasters, commercial broadcasters and PayTV Operators across Europe, from January to June 2019.

Key Observations

Mid-rolls form the largest share of ads views across mid to longer length content as there are typically more mid-roll ads within a break (see figure 5).

Figure 5
Share of content type in premium environment

Pre-Rolls
96%

Post-Rolls
4%

Clip content

Mid-Rolls
52%

Post-Rolls
2%

Pre-Rolls
46%

Mid length content

Mid-Rolls
62%

Post-Rolls
2%

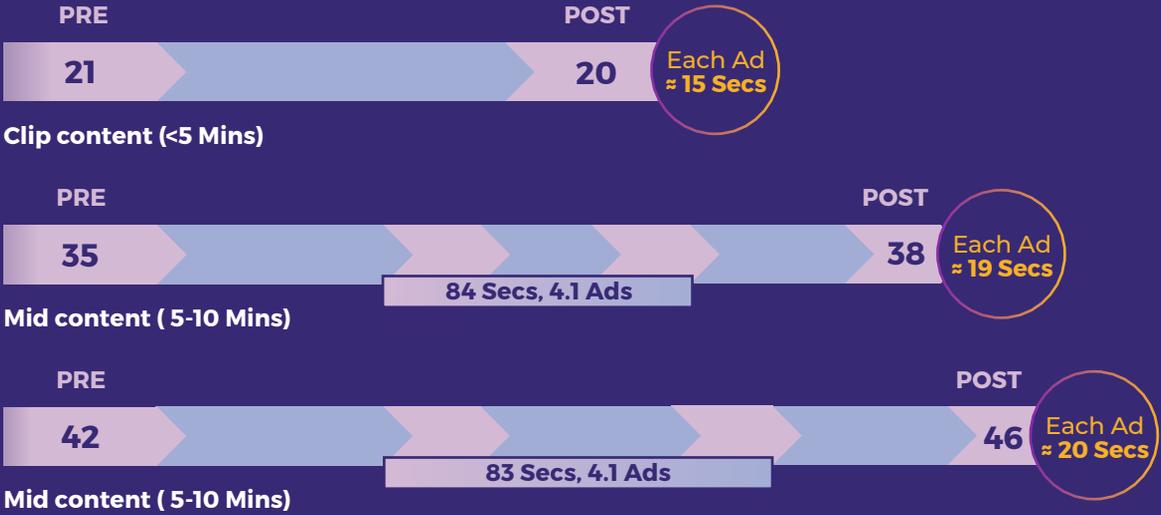Pre-Rolls
36%

Long length content

Looking at the duration of ads and breaks it increases with content length, with little difference between mid and long-form content. On average for both content type, there are 2 pre-rolls and 4 mid-rolls; with an average duration of ads of 19 / 20 sec for pre / mid-rolls.

As shown in Figure 6, in premium environments the majority of ads are still 15 and 30 seconds. New shorter formats are surfacing though are currently limited and performance still being evaluated by a number of programmers. Some interesting studies have been completed by the FW Council US using RealEyes' AI to analyse emotional responses and engagement on short-form videos and ads, you can find the details in an **earlier report.**

Figure 6
Break duration and ad duration by content length

PRE		POST	
21		**20**	Each Ad ≈ 15 Secs

Clip content (<5 Mins)

PRE			POST	
35	84 Secs, 4.1 Ads		**38**	Each Ad ≈ 19 Secs

Mid content (5-10 Mins)

PRE			POST	
42	83 Secs, 4.1 Ads		**46**	Each Ad ≈ 20 Secs

Mid content (5-10 Mins)

Turning to ad distribution (Fig 7), almost 80% of short-form content with ads, have only one ad. Mid and long-form content have a more distributed load with over a third going out with either 1 ad or 4 and above.

Figure 7
Number of ads per content length

Legend:
- +4 Ads
- 3 Ads
- 2 Ads
- 1 Ads

Clip content
| 3 | 5 | 14 | 78 | % |

Mid length
| 32 | 14 | 19 | 35 | % |

Long length
| 34 | 16 | 20 | 30 | % |

What about performance?

The above details have shown how carefully ads and breaks are being curated. Engagement rates in premium environments are exceptionally high and rise with content duration. The completion rates on all content above 5mins in length (see fig 8), reaches 92%, well above the traditional online media platforms which barely go beyond 60%, according to online video completion rates across mobile and desktop, in the UK.

Ad completion rate premium Vs Online digital video

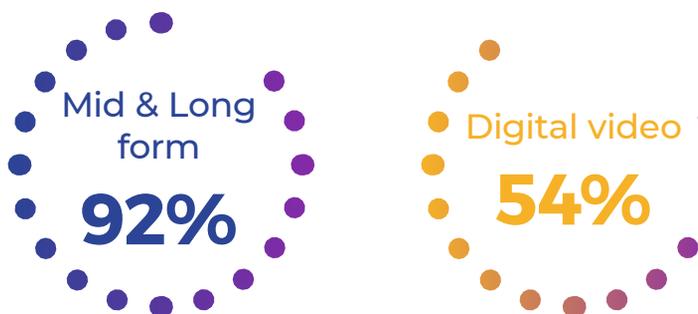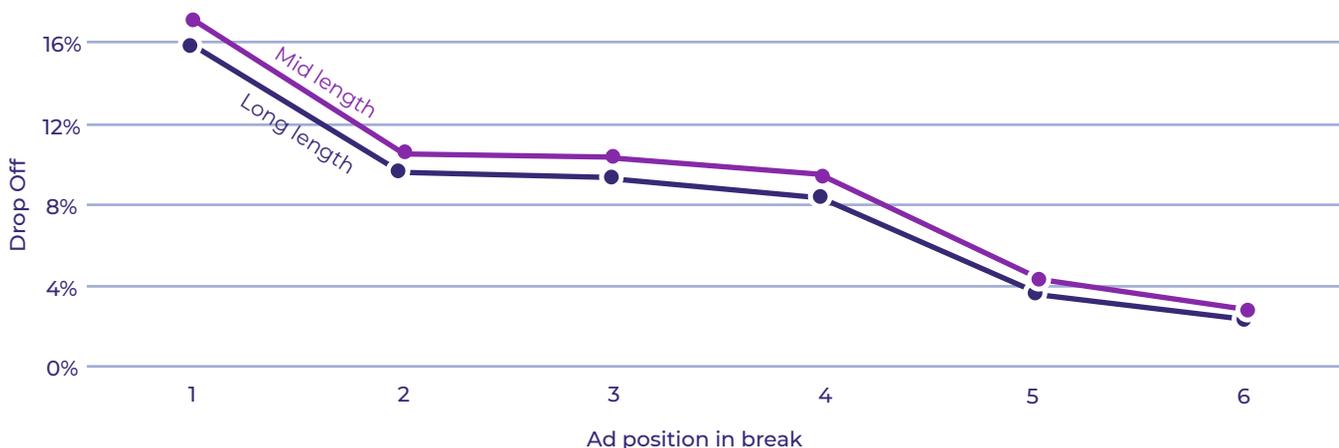Mid & Long form
92%

Digital video
54%

Figure 9 shows the level of tolerance for ads in mid-rolls. While we observe a drop in viewing when the first ad is shown, drop-off tend to rapidly level itself and flattens for 2nd, 3rd and 4th ads in break. Ad tolerance in premium environments is high and corroborate the earlier findings in terms of completion driving high engagement and attention.

Figure 9
Drop-off in ad by content type

Mid length
Long length

Drop Off (y-axis: 0%, 4%, 8%, 12%, 16%)

Ad position in break (x-axis: 1, 2, 3, 4, 5, 6)

The above scenario is shared with pre-rolls, showing a similar trend though drop-off rates are slightly higher. Detailed studies that have been conducted by various publishers and independent research companies showing that the less clutter and noise the greater the brand KPIs are shifted.

A recent study undertaken by Mediamento for Canal+ in France on the digital ad impact, shows a stronger ad recall in environments with fewer pre-rolls (1 or 2 pre-rolls, versus 6).

The spontaneous ad recall increases by 115% for one ad and 81% for 2 ads, versus 6 pre-roll ads. You can find the full details of the **study here.**

A similar study undertaken by RealEyes for **France TV Publicité** earlier last year, corroborate these findings and show that the overall emotional response, engagement and thus ad recall is much greater with less cluttered pre-roll environments.

When it comes to ad length, there is a view that shorter ads perform better, however across the board on average it is only by 6% completion. Premium video is already coming from a high base with very high completion (over 90%) and so in this premium environment, with high level of ad creatives, consumers aren't as sensitive to ads length as one would expect.

Figure 10
Ad completion rate by ad length

0:15 ADS	87% + 6%
0:30 ADS	81%

Where it does seem to show a significant impact and improvement is within pre-rolls on content beyond 30 mins (Fig 11). In this case, 15sec ads show a greater performance than 30sec, with 14% better completion and 9% against all content. Interestingly, 15 sec ad format shows an outstanding completion rate (Fig 12), reaching almost 100% for mid-rolls.

Figure 11
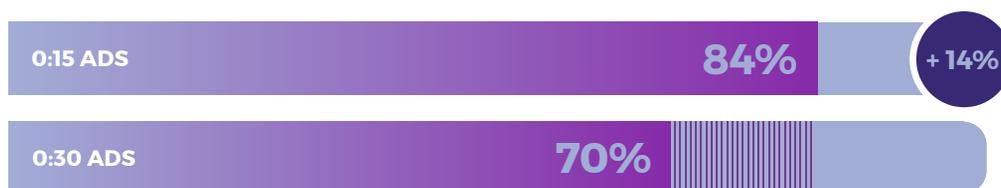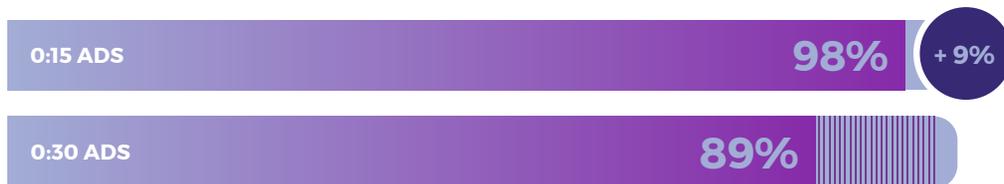## Pre-rolls completion rate by ad length on content 30mins+

0:15 ADS	84% + 14%
0:30 ADS	70%

Figure 12
Ad completion rate by ad length, all content, mid-rolls

| 0:15 ADS | **98%** | + 9% |
| 0:30 ADS | **89%** | |

Looking at what we see happening over time in Europe for all content over 5mins (see also the **FreeWheel Video Marketplace Report**), the number of ads and durations are coming down (see figure 13). With a reduction of almost 15% in the number of ads. From 5.25 ads on average in 2016 to 4.5 in 2019. That's an average of 20 seconds less for a break, down to 84 sec.

Figure 13
Average number of ads and average ad duration over time

H1 2016	**5.25**	≈ 103 Sec
H1 2017	**4.93**	≈ 94 Sec
H1 2018	**4.6**	≈ 83 Sec
H1 2019	**4.5**	≈ 84 Sec

SOURCE: FREEWHEEL VMR 2016 - 2019

Looking closer at the number of ads in pre and mid-roll by device (Fig 14), there are some noticeable differences. The number of ads in pre-rolls varies slightly between end points, with an average of 2.1 ads. Connected TV showing a higher number with 2.8 ads on average. When it comes to mid-rolls, there is a wider discrepancy between devices, with CTV showing a much higher number of ads than desktop, mobile, or STB; over twice as more ads in CTV compared to STB. This is being driven by the current appetite for CTV inventory which shows very high completion rates and the most 'tv like' digital platform.

Average number of ads per pre and mid-roll break - FreeWheel VMR Q3, 2019

Average number of ads per pre-roll, by device

Average number of ads per mid-roll, by device
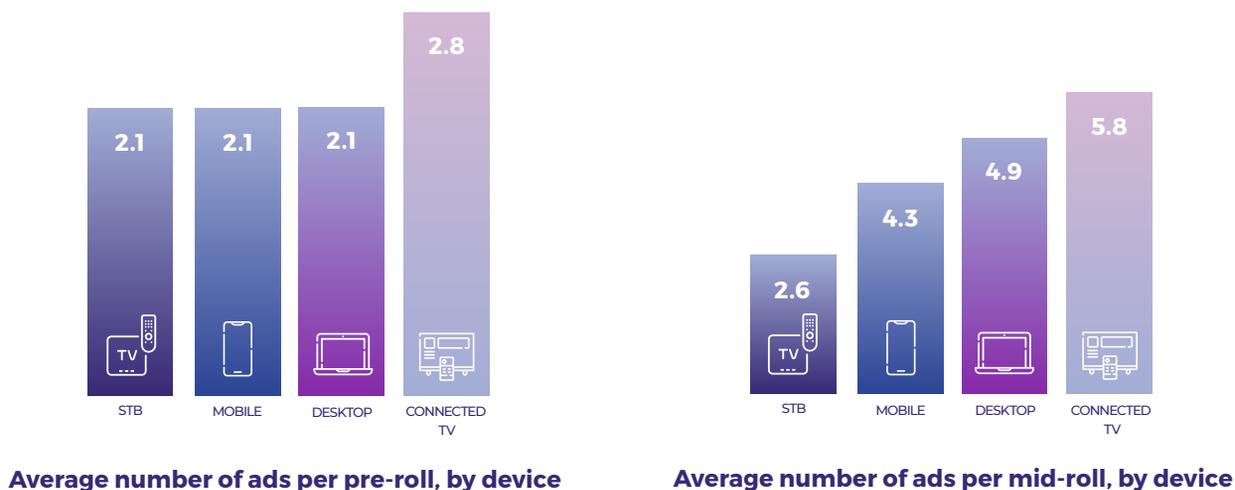
Viewer response to ad load

While gaining an insight into the current practises of publishers and broadcasters across Europe is useful, no study into ad loads would be complete without exploring viewer response.

When determining optimum ad loads broadcasters and publishers will benefit from understanding the tipping point where ad load makes a significant difference to the viewer. This is however difficult to evaluate, as so many parameters need to be taken into account, be it the type of content being watch, the device, where it is being watched, frequency... some industry studies have shown that for mid-rolls a 150 sec. break is acceptable, but beyond that point, viewers engagement start to diminish. **A recent study by Deloitte** in the US, has shown that, according to consumers, the 'right number of ads' during a full stream of content, will vary considerably, from 6.7mins for News to 11.6mins for Talk Shows.

Conclusion

Ensuring the viewers get the best possible experience is premium publishers' most important and challenging consideration. They need to carefully balance multiple interests from advertisers' goals, viewers' expectations and their own revenue objectives.

According to a recent **report from IAS France**, 93% of the people polled say that it is very important that the ad they are exposed to, is pertinent to them. In France, as in the UK, context really matters. In particular premium content, in fact 2 out 3 respondents (65%) confirmed that they would engage more with ads if these were in high quality content and in the right context. And 72% declare that brands are responsible for context and where their ads are appearing against.

> There is no one solution as regards to ad load but rather willingness to innovate and experiment as well as constant iteration and fine tuning through data and research. Programmers are uniquely positioned to build sophisticated strategies and drive the next phases of video experiences.

David Rasmusson
Ad Tech Domain Architect
NENT Group

About The FreeWheel Council for Premium Video, Europe (FWCE)

The FreeWheel Council for Premium Video Europe (FWCE) was formed in June 2017 to serve the interest of those in the premium video industry through leadership positions, research, and advocacy. Aligned to the FWC formed in North America in 2015 (with members such as Turner, Fox and NBCUniversal), the FWCE consists of 20 members: Canal+ Régie, Channel 4, Discovery Networks International, DPG Media, European Broadcaster Exchange (EBX), France Télévision Publicité, Publitalia, NENT Group, Next Régie, Proximus, Sanoma Finland, STV, SevenOne Media, SFR Régie, Sky Media UK, Germany, Italy, Talpa, TF1 Publicité and United Group. Across both Europe and North America, the FWC operates as an educational and organising resource to assist marketers to reach desired audiences in premium video environments, conduct research documenting the benefits of premium video and represent the interests of member publishers and the market

For more information on the FreeWheel Council for Premium Video please visit:
www.FreeWheel.com/councils/
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