UK Video Advertising Report

November 2012

INTRODUCTION

Digital Video Has Arrived

65% of the UK online video audience is exposed to video ads each month.

We're in the middle of a digital video frenzy, whether it's watching the latest viral video online, following along with an instructional cooking video on an iPad, or using a mobile to watch last night's episode of *Downton Abbey* on the train to work. In fact, 36.6 million people watch more than 10 billion online videos each month.[1] That's 63 percent of the UK population. Looking at video ads specifically, 65 percent of the UK online video audience is exposed to video ads each month.[1] According to comScore, 28.6 million people view more than 1 billion online video ads each month.[1] That's a lot of eyes on a lot of videos and advertisers understand the potential.

The UK remains the largest online advertising market in Europe and is the first to have exceeded €5 billion, accounting for 26 percent of all European online advertising.[2] In both the UK and Germany, video advertising has already crossed the €100 million threshold. Spending in the UK online video advertising market was €125.5 million in 2011; in Germany €117.4 million.[3] The CAGR for 2011-2016 online video spending in the UK is predicted to be 25 percent. This far outpaces spending in all other online ad categories with paid search as the second highest at 7.8 percent CAGR.[4]

BrightRoll began conducting annual agency surveys four years ago and now releases reports in the US and Canada, and for the second year, the UK. The goal of the UK Video Advertising Report is to share a unique perspective of the UK video advertising landscape through a survey of top decision makers and media buyers at leading UK advertising agencies. It provides an analysis that includes ideas about how advertisers are meeting challenges and opportunities in the market, as well as key trends and takeaways in order to aid in the continued growth of the UK digital video advertising industry.

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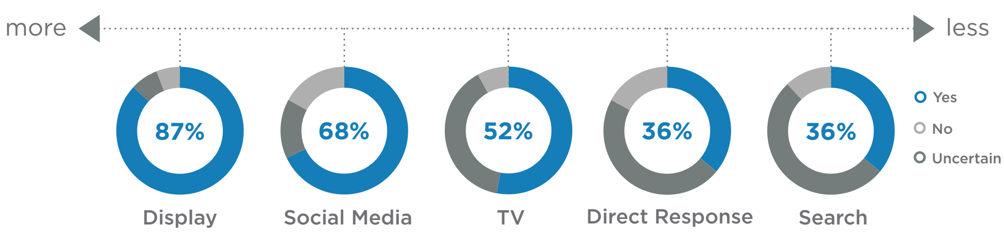
TRENDING

State of Video in the UK

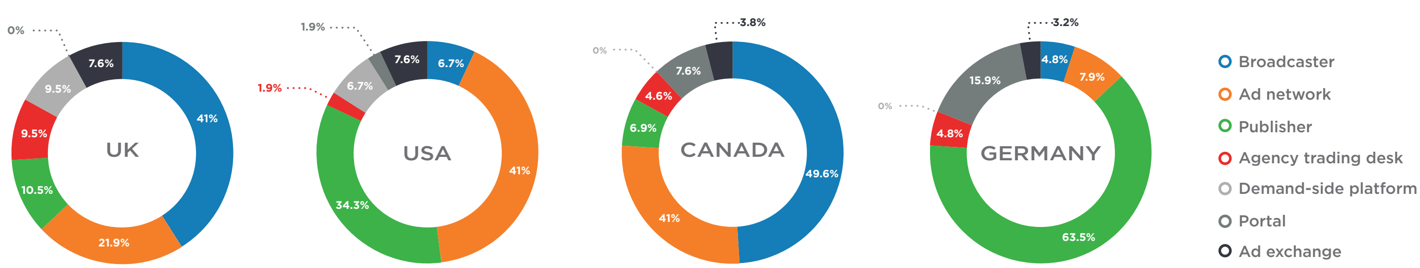
Opinions about video in the UK are still somewhat mixed although many see the increased value video can provide when compared to other channels. When asked to compare the effectiveness of video to other media, 87 percent of respondents agree video is equally or more effective than display while just over half (52 percent) think video is equally or more effective than TV. Some of these beliefs could be attributed to the often made assumption that VOD (video on demand) and digital video are one in the same. However, digital video encompasses more than just VOD and includes in-app, user-generated content, gaming, or anywhere video can run.

1. Compared to the following channels, is video equally or more effective?



When it comes to digital video advertising, many UK advertisers may spend their budgets specifically on VOD, working directly with broadcasters. In fact, when asked who they are most inclined to buy video inventory from, 41 percent of respondents indicate they are most likely to buy video inventory from a broadcaster with 22 percent who are most likely to buy from an ad network.

2. Where are you most inclined to buy video inventory from?



These results aren't surprising given the stage of development of the digital video industry in the UK and the focus on VOD when it comes to digital video. VOD is a natural next step for advertisers who are still testing out digital video and are comfortable with the TV environment. However, less than 5 percent of videos viewed are from UK broadcasters.[5] This is due to people watching short-form content and lots of it. On average, users spend five minutes per video viewed, but on average users are watching more than 270 videos per month.[1] Furthermore, limiting campaigns to VOD content limits the reach of campaigns and advertisers may miss people that are reading digital articles, watching user-generated content and playing games online or on their mobile devices.

As the industry continues to evolve, advertisers may consider expanding their buying options to maximize reach, targeting and user engagement. A notable trend from BrightRoll agency surveys conducted in the US, Canada and Germany, shows that advertiser opinions and best practices for digital video typically run in parallel to the maturity of the medium in that region. For example, in the US advertisers have embraced networks and exchanges for broader reach and targeting capabilities, while advertisers in Germany and Canada use content-driven publishers and broadcasters.

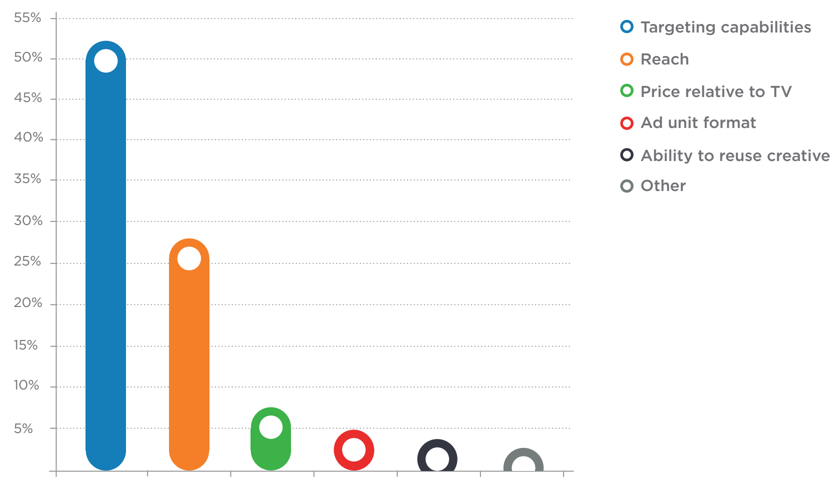
TARGETING

What Matters in Video

> **More than half of respondents cite targeting as the most valuable aspect of digital video for brands.**

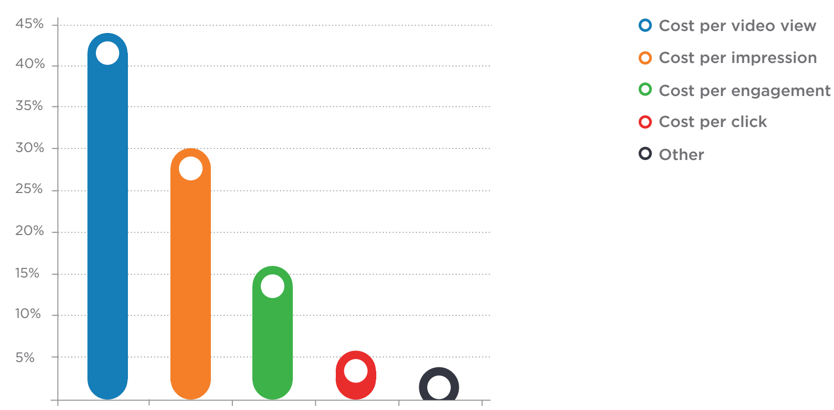
A little more than half of all respondents (53 percent) cite targeting as the most valuable aspect of online video for brands followed distantly by reach (28 percent), decreasing from 41 percent in 2011. This shift can be attributed to the growing comfort of advertisers with the reach online video can provide. However, with that reach, it's important to target the right audience, which is a reason why working with broadcasters may be an attractive option for advertisers. However, by working with broadcasters, advertisers assume they're reaching a specific target audience based on the VOD content. This is typically accurate; however, broadcasters struggle to provide the same scale of reach that ad networks can deliver.

3. Which aspect of online video do your clients view as the most valuable?



Advertiser opinions about which metric they're most likely to base their ad spend for digital video advertising have changed significantly since 2011, with 44 percent of advertisers citing CPV as most important compared to just 17 percent who felt that way in 2011. This further highlights advertisers' need for targeting specific audiences, suggesting that they are becoming less interested in blind impressions.

4. On which metric are you most likely to base your ad spend for digital video advertisting?



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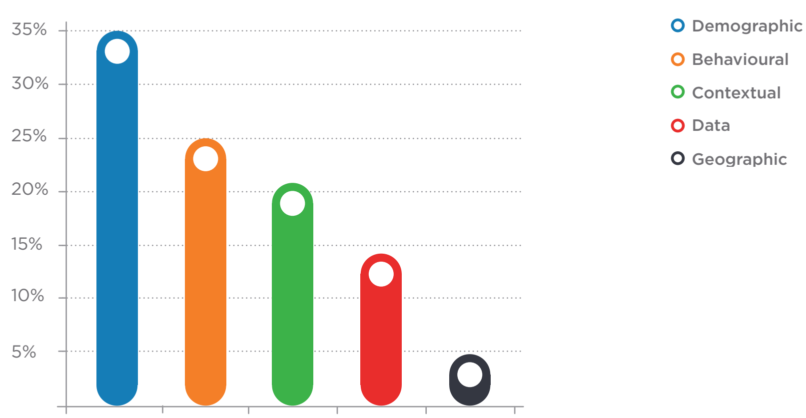
HOT TOPIC

Targeting with Digital Video

It is clear that for UK advertisers, targeting the right audience is important. However, with a variety of targeting options available, what matters most when it comes to targeting? When asked what form of targeting they believe is most valuable for digital video advertising, 35 percent of advertisers agree demographic is most important. These results echo responses from 2011 when 32 percent agreed demographic was the most important targeting technique. Germany shares similar results from the 2012 survey with 33 percent of respondents who think demographic targeting is the most important form of targeting. However, these opinions differ in Canada and the US where the majority of respondents believe behavioural targeting is most valuable. Germany and the UK may be slower to adopt these more advanced targeting methods due to concerns over privacy issues. The other reason that these targeting options are not yet widely utilized may also be associated with the idea of the continued evolution of the UK and German digital advertising markets.

Despite the clear preference for demographic targeting, behavioural targeting ranks second with 25 percent of respondents who think it is an important targeting technique. However, when asked what percentage of online video ads they expect to be behaviourally targeted in 2013, 62 percent of respondents believe less than half (0 – 40 percent) of their campaigns will have this form of targeting. While some advertisers may see the value in behavioural targeting, few are implementing it in their campaigns at this time. As the industry continues to grow and develop, it is likely those numbers will slowly shift, even by next year.

5. What form of targeting do you find most valuable for digital video advertising?



INSIGHT

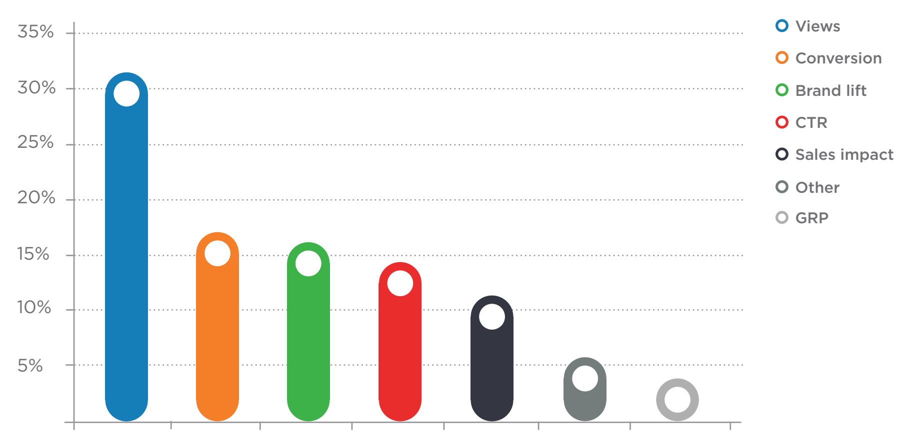
Measuring the Success of Digital Video

Measuring the success of digital video remains a hot-button issue globally and opinions on how best to do so vary significantly. As the digital video industry matures, it's essential to find a standardized means to measure video that makes campaign planning and purchasing easier and more efficient.

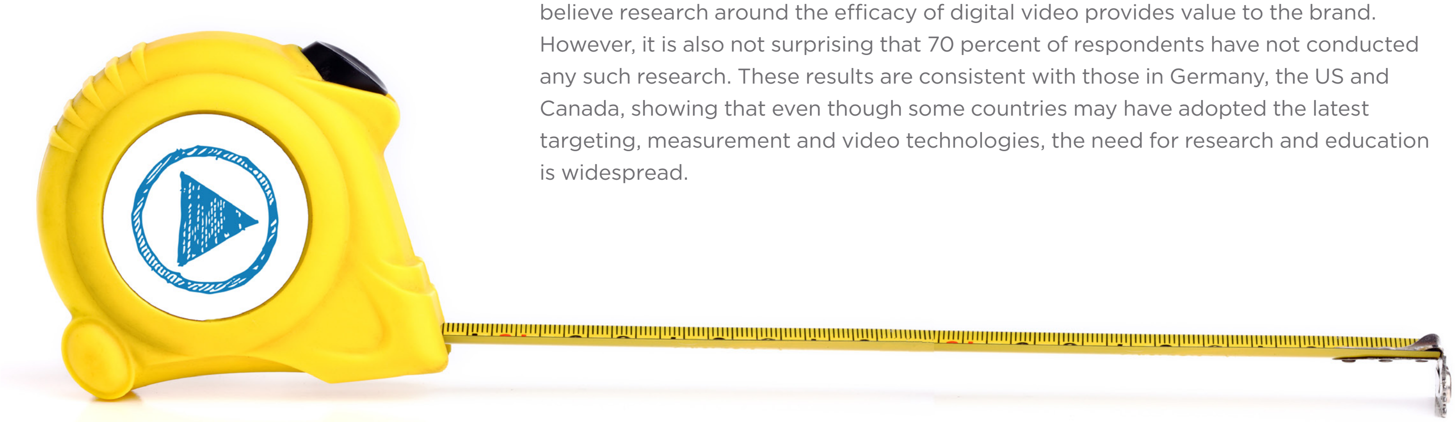
When asked the metric brands value most, 31 percent of respondents agree views, 17 percent report conversions and 16 percent favour brand lift. It's worth noting that only 3 percent of respondents say GRP is the most important success metric. These results were similar for advertisers in the US and Canada. However, 18 percent of US respondents are most interested in seeing additional research on GRP and only 8 percent of UK advertisers feel the same. Instead, 24 percent of UK respondents believe change in purchase intent or brand lift are more important for research focus.

Digital GRPs may not be a high priority in the UK yet. Based on the trends in the US, and the need for TV-like buying options, GRPs will begin to trend more in importance in global video markets over the next few years.

6. When it comes to audience measurement, which metric do your clients value most?



In terms of research, it's not surprising that more than 90 percent of respondents believe research around the efficacy of digital video provides value to the brand. However, it is also not surprising that 70 percent of respondents have not conducted any such research. These results are consistent with those in Germany, the US and Canada, showing that even though some countries may have adopted the latest targeting, measurement and video technologies, the need for research and education is widespread.



OUTLOOK

The Power of Research and Education

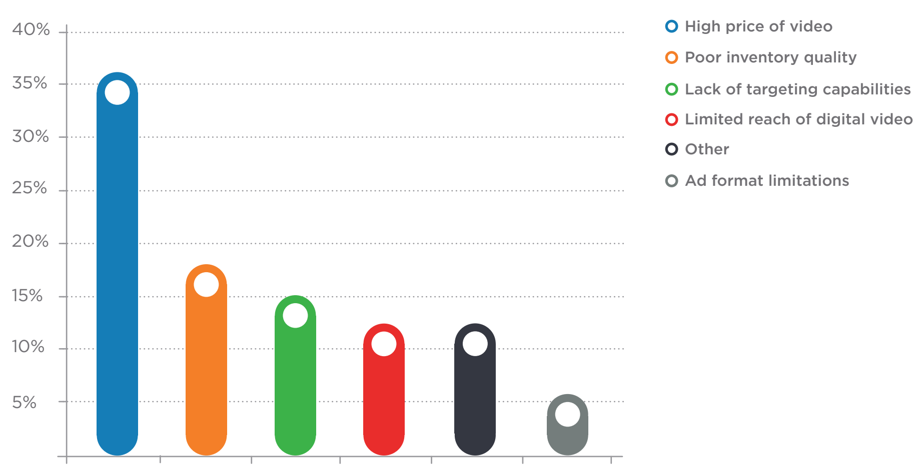
Further highlighting the need for standard metrics and education, respondents indicate the high price of video (36 percent), poor inventory quality (18 percent) and targeting capabilities (15 percent) as the top three limiting factors to the growth of digital video advertising in the UK.

The high price of video is a concern echoed internationally. However, it's interesting to note that while video is often compared to TV in terms of a user experience, when it comes to price it's typically compared to display advertising. Helping advertisers understand what they're paying for with clearer success metrics and industry standards may help alleviate concerns about cost.

The concern about lack of targeting techniques is largely an education issue. The technology is available but it isn't being widely used in the UK. In reality, digital video can utilize some of the most advanced forms of targeting available in the industry. For example, using third-party data, advertisers can target specific audiences and increase completion rates.

Poor inventory quality as a concern can also be alleviated. Working with networks and broadcasters allows advertisers to choose the audience that's right for them on the sites that best reach that audience. Some advertisers may worry about running campaigns with user-generated content. Aside from the cat videos and dance videos, compelling user-generated content does exist and may be an excellent way of reaching a target audience. Examples of these include cooking shows, how-to videos, DIY, beauty tutorials and the list goes on. Knowing the available options is the first step to making the best choices for a campaign.

7. In your view, what factor is most limiting to the growth of digital video advertising today?



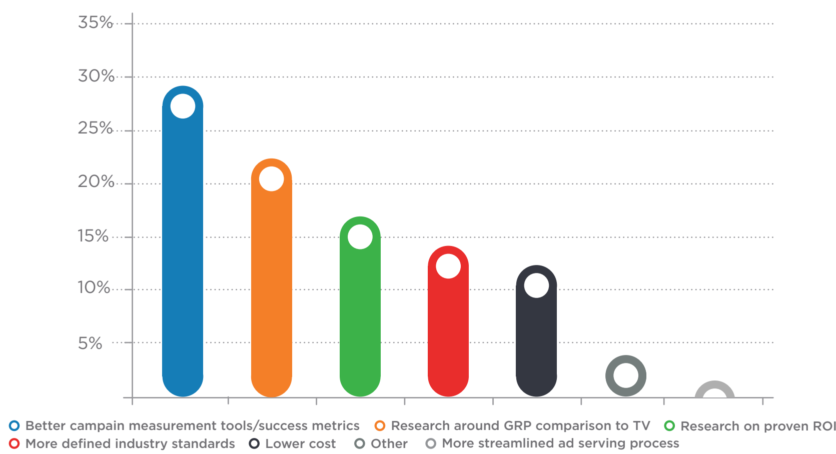
GROWTH

Shifting Budgets to Digital Video

More than **50%** of respondents believe mobile will have the **largest overall increase** in media spend in 2013.

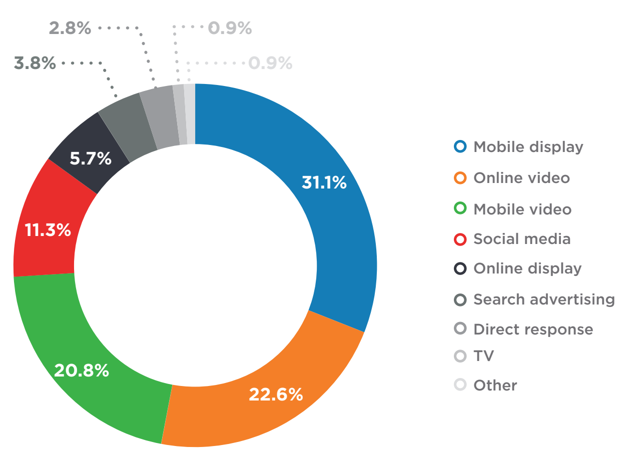
Determining how to increase digital video ad spending is often an industry debate, but in the UK the answer is clear: stronger success metrics. Advertisers want better campaign measurement tools (29 percent), research around GRP comparison to TV (22 percent) and research on proven ROI (17 percent). While advertisers may now be more comfortable with the reach of digital video compared to TV, they're still interested in measuring the success of a video campaign especially when compared to TV performance. Proof of success, and when compared to TV, is what will encourage advertisers to shift budgets to digital video.

8. Which of the following do you think would most encourage advertisers to increase digital video advertising spending?



More than 43 percent of people agree mobile and online video will see the largest overall increase in media spend this year – a good sign for digital video growth in the UK. Furthermore, less than 1 percent of respondents believe TV will see that kind of growth. More than 50 percent of respondents believe mobile will have the largest overall increase in media spend, indicating this is a hot medium for UK advertisers in 2013.

9. Which advertising channel do you expect to see the largest overall increase in media spend this year?



CONCLUSION

Succeeding with Digital Video

It is clear digital video will continue its current path of rapid growth. More than 82 percent of the UK online population watch video.[1] Advertisers see the value in digital video and 52 percent of respondents believe digital video is equally or more effective than TV. However, the challenge that lies ahead for the industry is to break away from traditional VOD buying habits and explore the opportunities that digital video advertising offers. By defining clearer success metrics, increasing education around targeting capabilities, and working with a variety of video channels (i.e. networks, broadcasters, exchanges, publishers), advertisers will be better equipped to achieve reach and targeting goals.

Advertisers want the ability to compare online performance to TV performance. Additionally, the other areas that will help advance the UK industry include the adoption of advanced targeting, reach and scale options. Since targeting is valued highly by UK advertisers, there's no doubt this area will continue to grow and develop over the next year.

Many of the current issues for digital video in the UK may be attributed to the popularity of advertising with VOD and working only with broadcasters. By branching out and working with networks, exchanges and publishers, advertisers may be able to uncover new means of targeting, increased reach, and better price points.

BrightRoll is committed to helping customers take advantage of the power of video to build deeper engagement and increase value for their brands. BrightRoll delivers the impact, intelligence and scale to make digital video the strongest way to build brands and connect with audiences anytime, anywhere.

More than 82%
of the UK online population
watch digital video...

GRAPHS & CHARTS

CITING & SOURCES

[1]comScore August 2012
[2]IAB AdEx Report, page 8
[3]IAB AdEx Report, page 23
[4]MagnaGlobal Advertising Forecast 2011
[5]comScore Video Metrix April 2012

ABOUT BRIGHTROLL

BrightRoll is the world's leading provider of digital video advertising solutions. The company has access to billions of monthly digital video impressions across the globe through its network and exchange (BRX). The company enables advertisers to execute smart digital video advertising across the web, mobile and connected TV landscape. Proprietary buying technology, combined with full site disclosure and flexible targeting provides BrightRoll network and exchange customers with the reach, frequency and scalability needed to achieve campaign goals. The company provides publishers with access to the industry's largest video marketplace to maximize monetization of their inventory. BrightRoll is a privately held, venture-backed company headquartered in San Francisco, California.