



VIDEO CONVERGENCE

Balancing the Equation: Performance + Scale + Cost

ALL SCREENS NOT CREATED EQUAL: As Consumers Drive Video Convergence, What's the Equation for Success?

Video convergence is here. More consumers are viewing video across multiple screens. The trend may have started several years ago when viewers began to embrace the added flexibility, customization and choice that online viewing brought to the traditional television experience. Now, however, with the proliferation of smartphones, the flexibility has been pushed to new levels. The ability to view a video whenever and wherever is a reality for the 91 million Americans—almost 1 out of every 3—who own a smartphone (ComScore, December 2011). Add to this the still small, but growing body of consumers who are embracing connected televisions and devices, and you have an increasingly complex web of video convergence.

We believe that in 2012 advertisers will increasingly employ device-agnostic video strategies that connect with their consumers where and when they are watching. The question is, does it deliver the right balance of efficiency and effectiveness?

Consumers are clearly driving this cross-device revolution. However, where consumers lead, marketers must follow. We believe that in 2012 advertisers will increasingly employ device-agnostic video strategies that connect with their consumers where and when they are watching. The question is, does it deliver the right balance of efficiency and effectiveness?

With a growing number of options on which to place video advertising, marketers must set out with clearly defined objectives in order to fully develop and execute cross-screen strategies in conjunction with the overall media buy. All screens are not equal in terms of performance delivery against a given metric, or just as importantly, in terms of cost.

While Videology's overarching goal is to use math, science and data to help determine the optimal media mix for a given campaign, the objective of this research paper is to present broad industry guideposts to help advertisers better understand the intricacies and benefits of convergence. This includes the individual performance strengths of each platform, as well as the advantages and optimal allocation mix across screens in terms of a price/performance ratio.

PERFORMANCE METRICS SCREEN-BY-SCREEN

Before beginning any analysis of the proper role that convergence should play in a media strategy, it is important to understand the individual strengths of each screen.

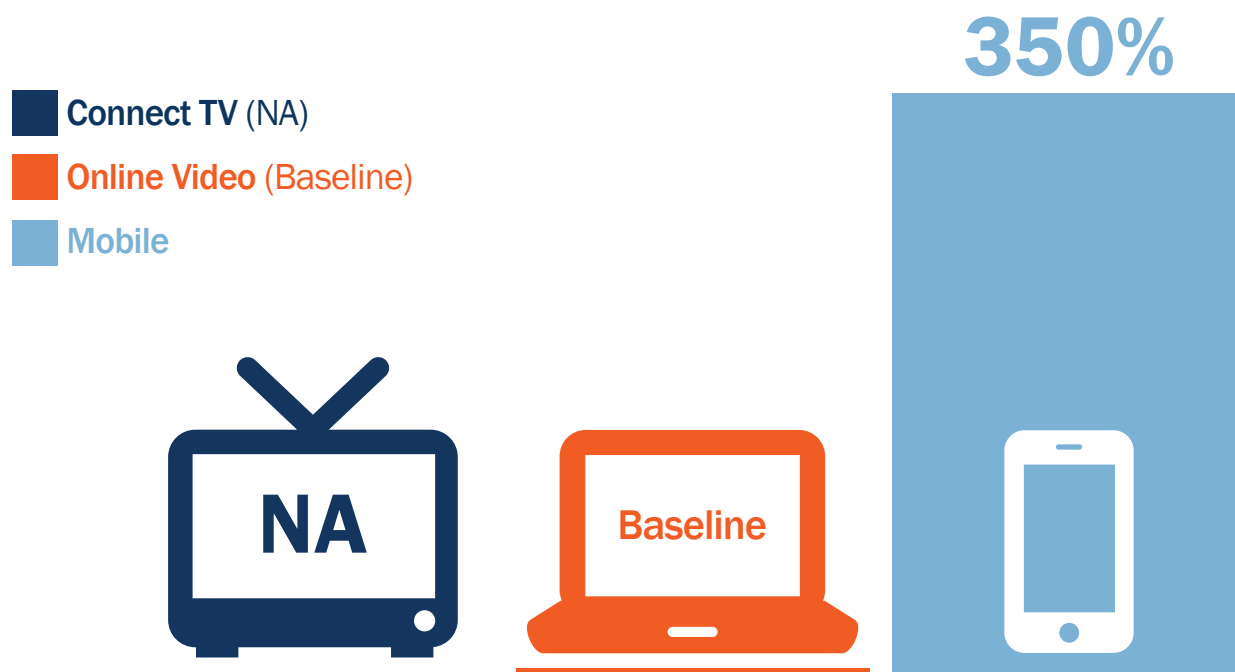
As a starting point, we looked at the relative performance of mobile video and connected television in relation to online video advertising for two of the most commonly requested digital metrics—Click Through Rate (CTR) and Video Completion Rate (VCR).

Click Through Rate

We know from previous studies that click through rates vary significantly based on a variety of contributing factors including advertising category, demographic targets, frequency and relevancy of messaging to a given consumer. However, these factors aside, there is also significant variation in CTR based on device.

Mobile, shows very high CTR in comparison to online video. Reasons for this can be debated. Factors may include the general trend of more targeted messaging via mobile devices, stronger call to actions and incentives such as couponing or location-based promotions, or simply a more personal one-to-one connection with the consumer.

In terms of **connected television**, currently the majority of devices do not allow a viewer to click through on an advertisement. In this sense, connected television advertising is more in the realm of traditional television viewing. Therefore, we have eliminated connected television from this particular analysis.



Source: Based on Videology platform average for 7.11.11 to 10.11.11

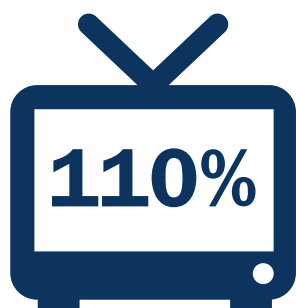
Overall, mobile shows a 350% CTR lift in comparison to online video.

Video Completion Rate

In addition to CTR, video completion rates are generally the other most commonly requested digital metric. Like CTR, VCR shows significant variation based on device.

Again, just as the majority of **Connected Television** devices do not currently allow a viewer to click through on an advertisement, they do not easily allow a viewer to bypass an advertisement. As a result, what is a detriment in terms of click through rate is clearly an attribute in terms of completions. For advertisers interested in this particular metric, connected television is a strong option to consider, with 110% improvement in video completion compared to online video.

Mobile has lower VCR in comparison to online video. Again, reasons for this vary. However, it stands to reason that the very nature of mobile devices—their ability to be used on-the-go—might prompt time-crunched viewers to click away sooner.



- Connect TV (NA)**
- Online Video (Baseline)**
- Mobile**



-10%

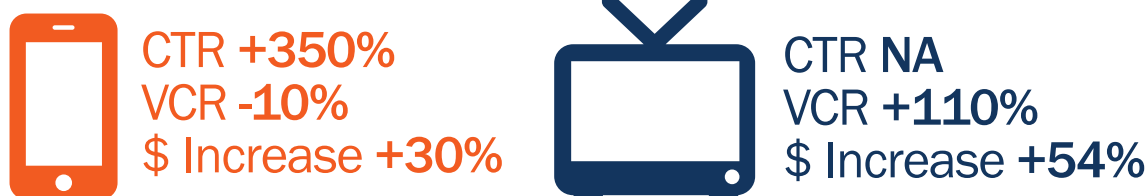
Source: Based on Videology platform average for 7.11.11 to 10.11.11

**Overall, connected television shows 110% higher completion rates than online video.
Mobile shows -10% lower completion rates than online video.**

PERFORMANCE VS. COST: A Screen-by-Screen Comparison

Obviously, another crucial component in the convergence equation is cost. In other words, does the price increase justify the performance gain? And, just as importantly, is a given media mix able to deliver against the overall objectives of the campaign, including the delivery of scale and frequency against a given target.

Looking at the first factor—performance improvement to incremental cost ratio—our research revealed the following comparisons:



Source: Based on Videology platform average for 7.11.11 to 10.11.11

As Compared to Online Video

Based on this chart, an advertiser looking at CTR as a primary metric would be well-served by adding a mobile component to their schedule: mobile delivers a 350% CTR increase for an average price increase of 30%. That's a very strong, over 10 to 1 ratio.

If VCR is an advertiser's preliminary goal, connected TV delivers improved VCR at a ratio of 2 to 1 compared to cost increases.

Brand Recall

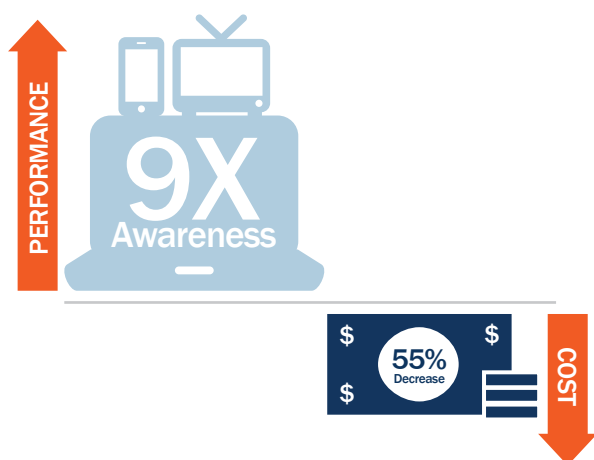
While the analyses in this report have focused primarily on the digital metrics of CTR and VCR, we also conducted a supporting analysis on the effects of convergence on brand recall. Though awareness is a more subjective measurement, through our BrandScore tool, we can measure reported recall between consumers who were exposed to a given video advertisement versus a control group who were not exposed. Brand recall may offer advertisers a truer measure of campaign ROI, as awareness itself may be an end goal, as opposed to CTR or VCR which are a means to an end (such as engagement, awareness, intent, or even actual purchase).

In terms of brand lift, we analyzed a total of eight campaigns. A portion of these ran across multiple screens: online, mobile and connected television. Another portion ran only on online video.

Out of the campaigns analyzed, those using multiple screens showed brand lift increases between 70%-300%, while the online video campaigns showed brand lift in the 15%-130% range. On average, multiple screen campaigns utilizing online video, mobile and connected television screens showed average brand recall 9x higher than those using only online video.

In this analysis, we also factored cost into the equation. Despite the exponential increase in awareness, cost per incremental brand lift actually **decreased by 55%**.

Brand Recall: Performance Vs Cost Multiple Screens Compared to Online Video Only



VIDEO CONVERGENCE: *Finding the Optimal Mix*

In the real world, few advertisers are interested, or even well-served, by focusing 100% of their video ad dollars in one given medium, particularly in a converging world. For instance, a video advertiser interested in achieving extremely high CTR might use mobile to improve ROI against this metric. Yet, to-date, the potential mobile video universe comprises 91 million smartphone users, almost half that of known online video users. Similarly, as the graphic shows, less than 10% of households currently own a connected television player.

To achieve scale in the video world, online video almost always needs to be part of the mix. What is the optimal screen mix in a converging world? There is no easy answer to that question. An individual advertiser must look at the myriad of objectives and budget constraints that surround a given campaign.

However, in broad terms we do know that as targeting capabilities become more precise, the opportunities to deliver scale against discrete consumer segments increase with multi-screen, platform-agnostic strategies. Emerging video platforms may not be able to carry the majority of a campaign for most advertisers, but by incorporating them into the over mix, an advertiser can take advantage of the unique benefits of each, while still achieving a campaign's performance objectives at scale and on budget.

THE OPTIMAL MIX: *A Practical Application of Our Findings*

The following illustrations show the relationship between cost, performance and reach to achieve an advertiser's objectives.

SCENARIO 1: DRIVING TRAFFIC

Advertiser: Major Retailer
Objective: Maximize Traffic to Retail Site
Budget: \$100K

Challenge:

What is the optimal allocation of OLV and Mobile Video impressions to drive the greatest number of targeted uniques to the advertiser's site via clicks on video ad while maintaining greatest price/performance efficiency.

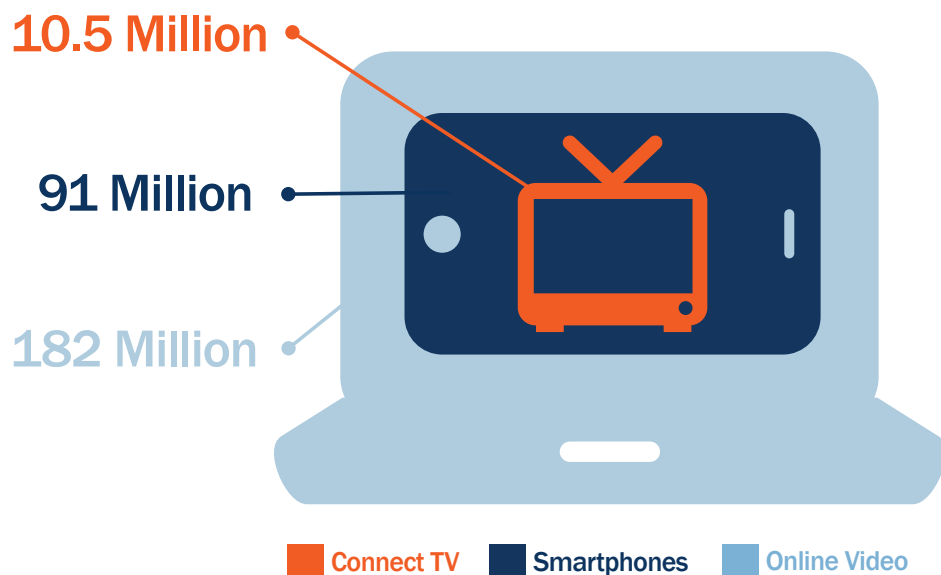
Solution:

While it would make sense to run the entire campaign on Mobile Video based on historical performance, CPM pricing would increase by over 30% and potential reach would only be 37% of OLV. Based on optimal mix modeling, we found that 75% allocation to OLV impressions and 25% to mobile video impressions at an average frequency of 2 yielded the best results to meet objective.

Results:

- CTR Performance Lift vs. OLV only: **88%**
- Pricing Increase (blended CPM) vs. OLV only: **8%**
- Potential Reach lift vs. Mobile Video Only: **61%**

Comparative Screen Universes*

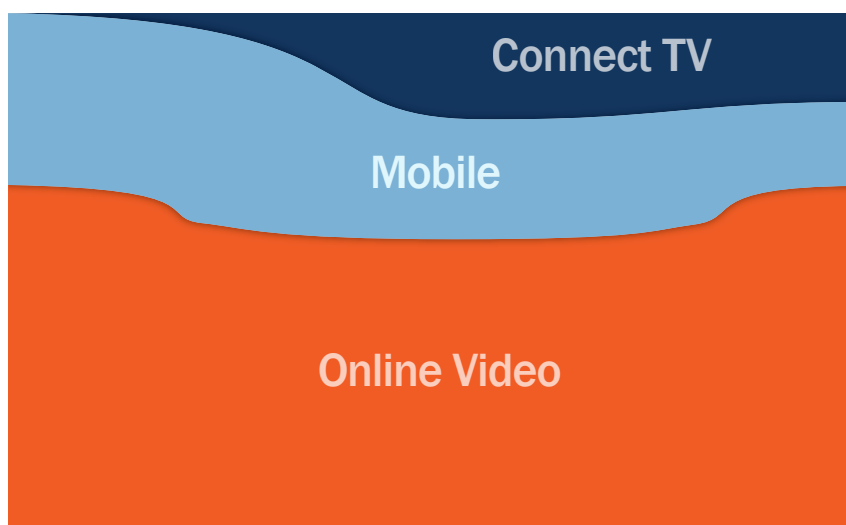


* Sources: Smartphones = ComScore, Nov 2011; Online Video = ComScore, Dec 2011; Connected TV = Strategic Analytics, Dec 2011, 8% of U.S. households own connected TV player.

The chart below offers a graphic illustration of the topline relationship between performance and reach objectives. Key takeaway from this analysis include:

- The optimal mix to achieve both scale and performance should always include between 60%-70% online video.
- If an advertiser has very aggressive click through goals, they should eliminate connected television from the mix. (This increases percentage allocations to mobile and online video.)
- If an advertiser has very aggressive reach goals, they should consider using a higher percentage (closer to 70%) of online video, since it has the largest reach of all three screens.

Marketing Mix



RESPONSE

REACH

(e.g., CTR Engagement, etc.)

THE OPTIMAL MIX: A Practical Application of Our Findings

SCENARIO 2: GENERATING AWARENESS

Advertiser: Personal Care Brand
Objective: Generate awareness of new product and point of difference versus competition
Budget: \$250K

Challenge:

What is the optimal allocation of OLV and OTT impressions to generate the highest completed view rate and the greatest number of targeted uniques to ensure that the brand's message was seen in its entirety.

Solution:

Given the strong completed view percentage of OTT impressions, heavily investing in OTT would be considered a valid campaign strategy. However CPM pricing would increase by over 54% vs OLV and potential reach would only be 13% of OLV. Based on optimal mix modeling we found that 70% allocation to OLV impressions and 30% to OTT impressions at an average frequency of 4 yielded the best results to meet objective.

Results:

- Completed View Performance Lift vs OLV only: **35%**
- Pricing Increase (blended CPM) vs OLV only: **16%**
- Potential Reach lift vs Mobile Video Only: **77%**

Methodology

The research presented in this paper was conducted by Videology using data from multi-screen campaigns running through the Videology platform (formerly TidalTV) from July 2011 through October 2011, which included:

- Device Type:
 - Online video = 184 million impressions;
 - Mobile = 2.1 million impressions;
 - Connected TV = .36 million impressions
- Media: 378 campaigns, 10 placements

In conducting this research study, Videology looked at only campaigns running in the U.S., and on a placement that was not an RTB.

About Videology

The Videology Addressable Audience Platform (videologygroup.com) is a screen-agnostic video advertising technology that works to connect brands with consumers. Videology achieves this through mathematically-driven data analyses that allow us to target precise consumer segments—at scale—by demographics, psychographics, and behavioral segments. This precise targeting permits advertisers to extract increased value from every media impression, and allows our content partners to monetize their audience more effectively.

Videology is headquartered in Baltimore, MD, with key offices in New York, Austin and London, and sales teams throughout North America.

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