VIDEO CONVERGENCE

Balancing the Equation: Performance + Scale + Cost

videology®

UK Findings - January 2013

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

Video convergence is now a reality of our lives. More consumers are viewing more video across multiple screens. The trend started several years ago when viewers began to discover the flexibility, customisation and choice offered by online video, in addition to their regular diet of traditional television. Now, however, with the proliferation of smartphones, tablets and connected TV, this flexibility and choice have been stretched to new limits. The ability to view a video whenever and wherever is now a reality for 36 million Brits—almost 1 in 2—who own a smartphone (eMarketer, 2013). Add this to the small but growing body of consumers who watch video on their television screen through a connected TV or internet-enabling device, such as X-Box, and you have an increasingly complex web of video convergence.

"Finally 2013 is an inflection year...(we'll see) a holistic approach to media planning and allocation — what are my objectives and which particular media choice can help satisfy those objectives."

Scott Ferber, CEO, Videology, Ltd.,
as quoted in Beet.TV interview, January 2013

Consumers are clearly driving this cross-device revolution. However, where consumers lead, marketers must follow. Following global trends, we believe that in 2013 advertisers in the UK will increasingly begin planning device-agnostic, holistic video strategies that connect with their consumers where and when they are watching, regardless of screen. The question then becomes, how do you determine the right balance of efficiency and effectiveness?

With a growing number of options 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, reach, or just as importantly, cost.

While Videology's overarching goal is to use mathematics, 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 guidelines 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/reach 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).

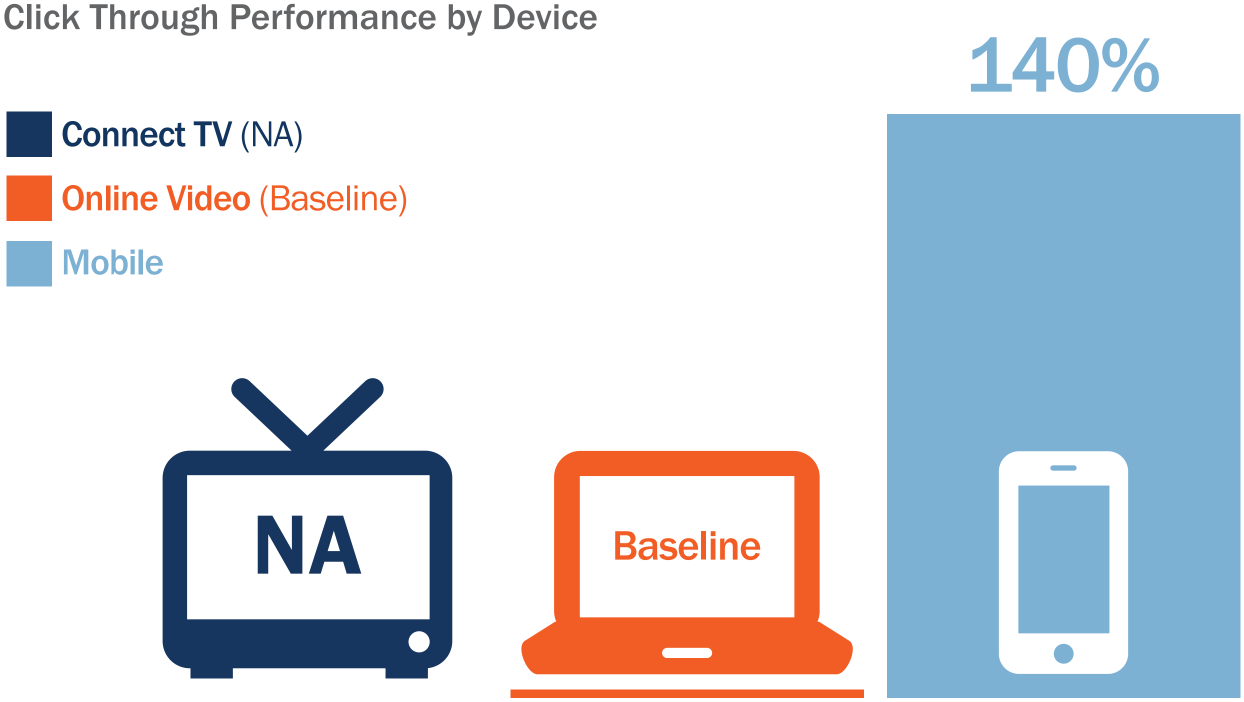
Click Through Rate

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, for instance, shows much higher CTR in comparison to online video. Reasons for this can be debated. These factors may include stronger call to actions and incentives, such as discount vouchers 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.

Click Through Performance by Device



Source: Based on Videology platform average for 11 July 2012 to 11 October 2012.

Overall, mobile shows a 140% CTR lift in comparison to online video.

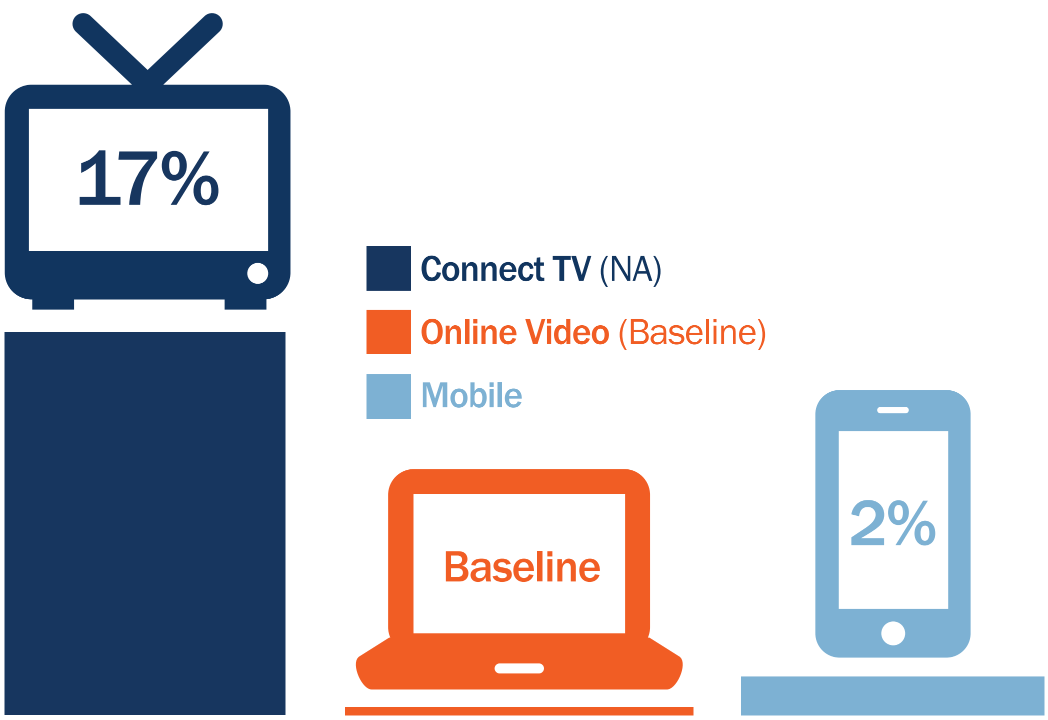
Video Completion Rate

In addition to CTR, video completion rates are generally the 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 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.

In terms of completion rate, **Mobile** is relatively comparable to online video. As targeting capabilities and relevancy of messaging on mobile devices continues to fall in line with online video, so too, we believe, will completion rates.

Video Completion Performance by Device



Source: Based on Videology platform average for 11 July 2012 to 11 October 2012.

Overall, connected television shows 17% higher completion rates than online video.
Mobile shows 2% higher completion rates than online video, which can be considered par.

Brand Awareness

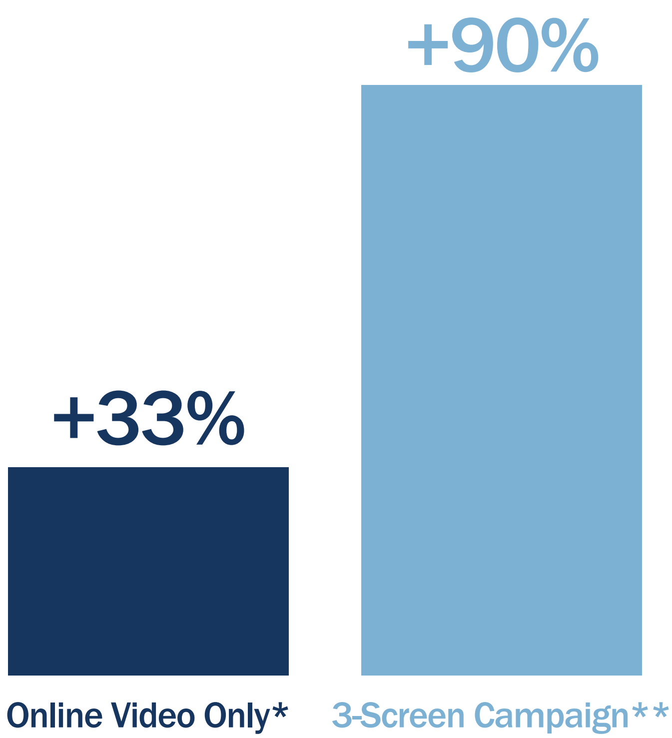
While the digital metrics of CTR and VCR continue to be important metrics across digital media, brand advertisers are increasingly interested in marketing metrics. Brand awareness is one of these.

As part of our convergence research, we studied the effect of cross-screen campaigns on brand awareness. Though awareness is a more subjective measurement, through our BrandScore tool, we can measure reported awareness between consumers who were exposed to a given video advertisement versus a control group who were not exposed. In many ways, brand awareness 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 analysed a sample of campaigns that ran across multiple screens: online, mobile and connected television. We compared these finding to another sample that ran only on online video.

Out of the campaigns analysed, online video on average drove a 33% lift in brand recall compared to those exposed to no advertising, while 3-screen campaigns on average drove a 90% higher lift in brand recall than online video alone.

Brand Awareness Performance by Device



*Compared to no advertising
** Compared to Online Video Only

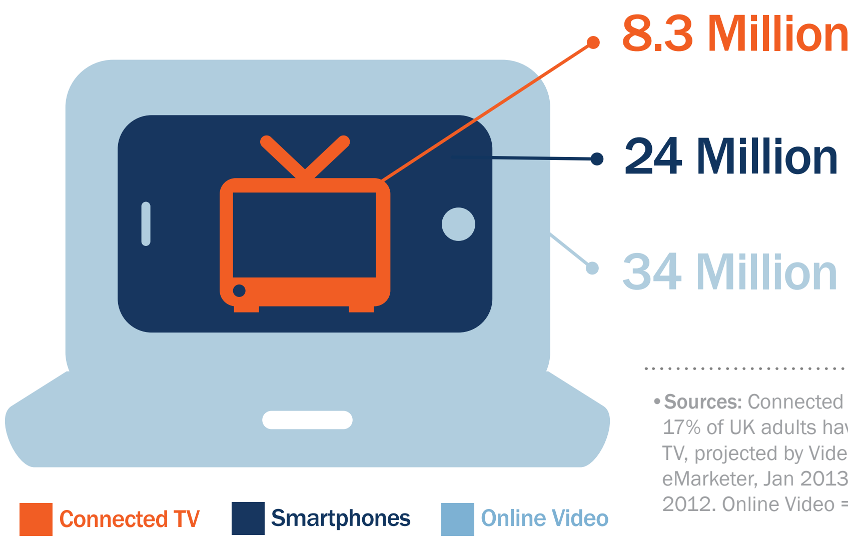
VIDEO CONVERGENCE:
Finding the Optimal Mix

Scale & Cost

As our brand analysis suggests, few advertisers are well-served by focusing 100% of their video ad spend in one given medium. This is true regardless of campaign objectives, as scale and cost must be woven in to every equation. For instance, a video advertiser interested in achieving high CTR might use mobile to improve ROI against this metric. Yet, only about 2 out of 3 smartphone owners in the UK — about 24 million consumers — use them to watch video. This is a significant and growing number, but it is still significantly lower than online video. Similarly, connected TVs are currently available to an estimated 7-17% of the UK population (Kantar, 2012).

To achieve scale in the current video marketplace, online video still almost always needs to be part of the mix.

Comparative Screen Universes*

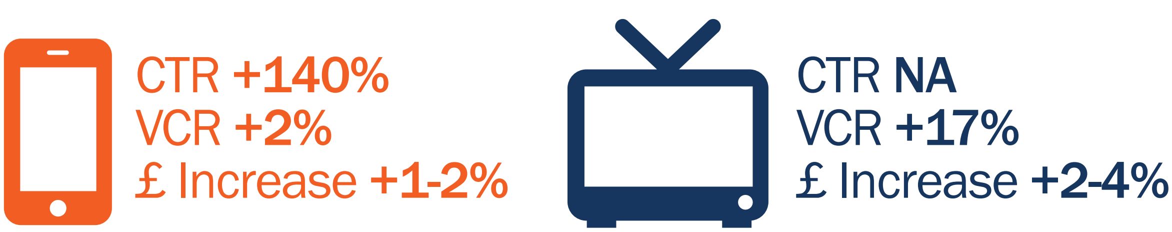


• **Sources:** Connected TV = Kantar Research, 17% of UK adults have an internet ready TV, projected by Videology. Smartphones = eMarketer, Jan 2013, Google, Our Mobile Planet, 2012. Online Video = comScore, Dec 2012.

What is the optimal balance? 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.

When considering cost of online video versus cross-screen campaigns, we found that while there were slight CPM campaign increases, not only were these minor, but they were also far exceeded by increases in performance metrics.

A performance increase to incremental cost ratio for both CTR and VCR shows the following:



Source: Based on Videology platform average for 11 July 2012 to 11 October 2012.

**As Compared to Online Video*

In broad terms, as targeting capabilities become more precise and device-agnostic, the opportunities to deliver scale against discrete consumer segments increase with holistic, multi-screen strategies. Emerging video platforms may not be able to carry the majority of a campaign for most advertisers, but by incorporating them into the overall 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.

Videology has developed the following key takeaways from our analysis of the relation between performance and reach objectives.

- The optimal mix to achieve both scale and performance should generally see between 60 -70% of video budget allocated to laptop/PC and the remainder allocated to mobile and connected TV, depending on an advertiser's specific objectives.
- If an advertiser has aggressive click through goals, they should eliminate connected TV from the mix, (increasing percentage allocations to mobile and laptop/PC).
- If an advertiser has aggressive reach goals, they should consider allocating a higher percentage (closer to 70%) of video budget to laptop/PC, since it has the largest reach of all three screens.
- If an advertiser has aggressive brand awareness goals, they should divide their video budget between all three screens, allocating 60-70% to laptop/PC, with the remainder allocated to mobile and connected TV depending upon desired audience, content partners, creative execution and supporting objectives.

"Understanding how to best utilise a device's strengths both individually and in conjunction with complementary platforms is an important first step," said Kevin Haley, Chief Scientist, Videology. "To achieve true optimal mix modelling, data and tools must allow advertisers to focus on the consumer, rather than on the device. This will lead to a more holistic assessment of campaign results and ultimately, to a truer assessment of ROI."

THE FUTURE OF CROSS-SCREEN CONVERGENCE:
Connecting the Dots

As stated, the goal of this analysis was to offer advertisers broad guidelines on determining media allocation across devices to achieve specific objectives, as well as to illustrate the benefits of convergence in achieving these objectives.

Of course, the ultimate goal of any media allocation study is to determine optimal media mix modelling across devices. To achieve this, a marketer must be able to ascertain user authentication across screens to determine cross device frequency, campaign reach and overall campaign ROI against a given set of objectives.

Key to this is the ability to look beyond the "cookie" data available for online video usage and connect the dots between online, mobile, tablets, connected television and beyond. Videology continues to break new ground in the area of cross-platform planning and buying tools and looks forward to sharing future analytics and case studies on this topic with the marketplace.

Methodology

The research presented in this whitepaper was conducted by Videology using data from multi-screen campaigns running through the Videology platform between 1 July 2012 and 7 November 2012, which included:

- Online video = 486 million impressions;
- Mobile = 15.2 million impressions;
- Connected TV = 7.75 million impressions

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

About Videology, Ltd.

Videology (videologygroup.com) is an enterprise media technology for agencies and publishers. Videology provides end-to-end, holistic, cross-device and cross-format solutions to improve ROI for advertisers, agencies and publishers.

Videology, is a privately-held, venture-backed company, whose investors include NEA, Valhalla Partners and Comcast Ventures. Videology is headquartered in Baltimore, USA, with key offices in New York, Austin, Toronto, London, Paris, Madrid, Singapore, and Sydney.

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