



# VIDEO'S GREAT CTR DEBATE:

Can predictive analytics bring  
enhanced value to digital's  
hardest working metric?

Digital technologies and our subsequent ability to measure and predict consumer behavior have grown exponentially since the early days of online media. Yet many of the metrics that we use to measure engagement and advertising ROI—including the metrics surrounding online video—remain rooted in these early days. The question then, must we discard the success metrics from the past to fully extract value within the new media world?

## THE GREAT CTR DEBATE

Each day, the ability of technology developers and their media partners to provide more detailed analytics on consumer behavior and its relationship to brands appears to grow. With an escalating arsenal of measurable metrics, advertisers have a greater ability than ever before to optimize their investments and maximize ROI. In turn, this benefits both the industry and marketers alike. However, one danger with this ever-increasing deluge of available data is the temptation to look exclusively to the new rather than to use our increased understanding of consumer behavior to more constructively frame and improve metrics that are already widely understood and valuable.

**“As pioneers in the online video space, we are believers in evolution over revolution,” commented Kevin Haley, Chief Scientist, Videology. “We believe that CTRs, like VCRs, can serve as one important metric within the complex ad decisioning process.”**

**“As leaders in video advertising, it’s not our job to deride or disrupt the way that marketers evaluate their media investments. However, it is our responsibility to continually provide marketers with the tools and information to make smart, fully-informed decisions within the rapidly evolving video landscape. In this way, we can help achieve what we are all striving for—to bring the greatest possible ROI to every advertising campaign,” Haley added.**

This trend is particularly true in the burgeoning arena of online video. Though most advertisers conceptually understand the value that video can bring to their media mix, the medium is still shrouded in a bit of confusion. And it’s understandable. Poised somewhere between the brand-building realm of traditional television and the targeted, hyper-measurable world of online media, online video is still working to define its role within advertisers’ marketing strategies. A key part of this definition entails determining how to best measure its effectiveness, optimize efficiency, and evaluate its contributions to overall brand objectives.

Some believe that click through rates (CTR) are irrelevant to video advertising. CTRs, as this argument goes, grew out of an earlier world of digital direct response advertising where success was tied directly to sales conversion, as opposed to the longer-term brand building objectives possible with video. Proponents of this thinking argue that to simplify the buying process, particularly as we move toward three-screen convergence, online video should be measured in terms of more conventional buying metrics, such as GRPs. Digital buyers, however, believe that solely taking this approach overlooks the unique digital components—targeting, engagement and analytics—that make online video so attractive and cost-efficient. Some buyers take this “digital view” to the extreme and argue that online video should be evaluated solely in terms of CTRs and video completion rates (VCRs). Perhaps the answer lies somewhere in the middle. But, in any event, to be successful, each Key Performance Indicator (KPI) must be framed in its appropriate relative context.

The focus of the research presented in this paper is the use of predictive analytics to do just that when looking at CTR as a KPI for online video campaigns.

## ALL CTRS ARE NOT CREATED EQUAL

So in a world of sight, sound and motion, where marketers' goals are often far more long-term and complex than an immediate click to conversion, we sought to answer one question: are video CTRs still relevant?

After analyzing hundreds of campaigns, millions of clicks, and countless impressions, we believe the answer is "yes—within a more fully informed context."

### METHODOLOGY

This research study is based on stats from Videology's online video network during the month of January 2011, which included:

- Advertisers: 165 campaigns, 101 advertisers, 10 business sectors (Finance, Home Improvement, Entertainment, Automotive, Retail, Wireless, Consumer Packaged Goods, Travel, Health and Online)
- Media: 400 million in-stream video impressions, 259 publisher sites, 18 content verticals

In conducting this research study, in order to identify norms across multiple factor categories (gender, age, day of the week, daypart, geography and content), Videology controlled for certain variances such as video ad lengths, placement location, existence of companion ad units and content genre.

Advancements in technology now provide a wealth of demographic information behind the clickstreams. The use of predictive analytics against this data enables a much richer view into consumer behavior and what that means for advertisers. Clearly, all CTRs are not created equal. CTRs delivered to the wrong target—or CTRs that result in little or no advancement toward campaign objectives—are of little value to an advertiser. Predictive analytics can help advertisers avoid these common CTR traps.

Similarly, predictive analytics can reveal important CTR trending data even within well-targeted, effective campaigns. For instance, while we know that video advertising produces higher CTRs across the board than display ads, further analysis shows large—but predictable—variations in video CTR and completion rates across the spectrum of advertising categories and audience types.

Obviously, if broad stroke video CTR metrics are used to judge campaign performance regardless of expected variations—as is often the case—CTR analysis can be misleading. When using CTR to compare performance across media, campaigns, or brands, an informed understanding of norms is crucial. Drawing conclusions based on comparisons between apples and oranges can lead to wrong decisions in both media selection and ad decisioning. Advertisers may abandon a good campaign, or just as importantly, fail to see problems with under performance in a particular category or specific demographic. In both scenarios, campaign optimization, and ultimately ROI, will suffer.

If CTR's usefulness has taken a knock in recent times, perhaps lack of differentiation between the quality versus the quantity of clicks, as well as the lack of information surrounding normative variations, has contributed to its bad press. If not properly framed, even a great insurance company campaign will look like a failure when measured by a CTR associated with a movie trailer, or even that of a home improvement store!

**Within online video, CTRs vary predictably across sectors, age, content, daypart and day of week. These variations must be taken into account to make realistic assessment of performance and achieve true optimization.**

## DEFINING THE NORMS

### CTR Norms: Ad Sector Variance

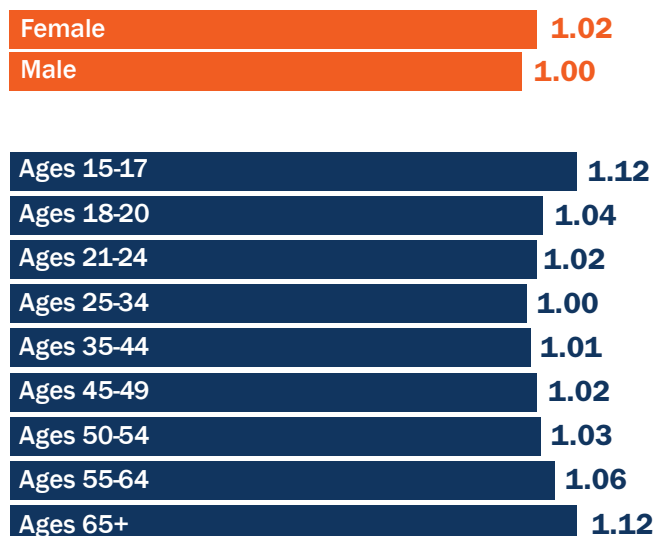


CTR Index

- Analysis of general click through rates for major advertising categories shows significant variations between sectors.
- As the graph shows, norms in the Financial category—the highest performing of the 10 sectors analyzed—skew 15% above the baseline for video CTRs across all industries. Similarly, the Online category skews 31% below the baseline.
- With more than a 45 percentage point differential between the highest performing category and the lowest performing category, it is evident that a clear understanding of CTR rates by sector is crucial when evaluating campaign performance for diverse products and services.

### CTR Norms: Demographic Variance

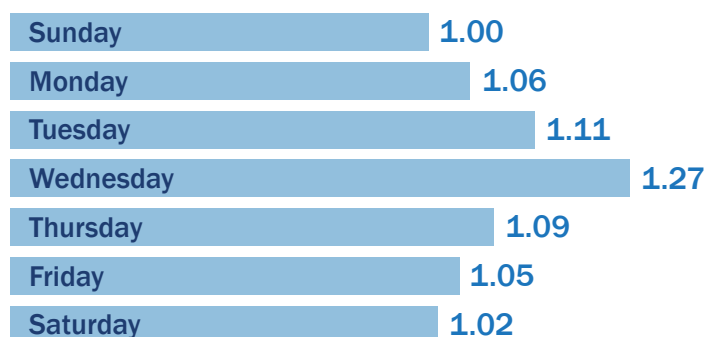
- When it comes to sex, men and women show very little difference in click through patterns, with only a 2 percentage point variance between the two.
- Age, however, is a different story. And it's not just about young versus old.
- Interestingly, there is an uptick on both ends of the age spectrum—with CTRs indexing 12% above the baseline for both teens 15-17 and those over 65 years of age.
- The flattest CTRs come in the key buying demos—the very age groups that are often on the receiving end of the greatest number of advertising messages—and perhaps the busiest and most message fatigued of all consumer groups.



CTR Index

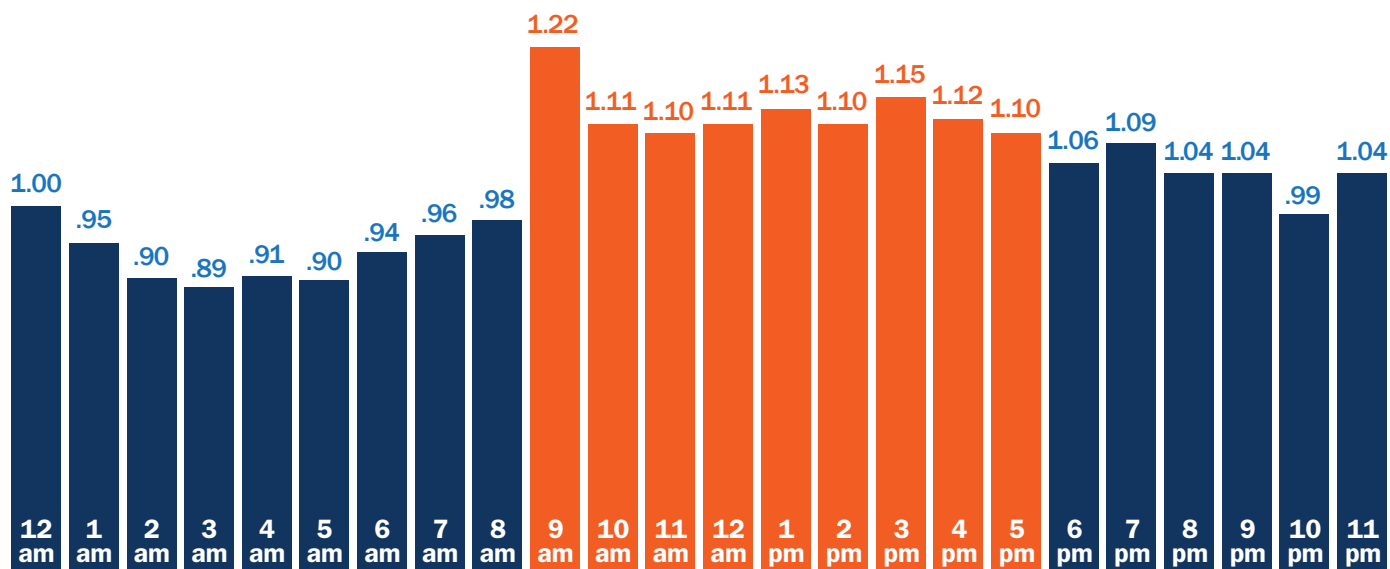
## CTR Norms: Day of Week Variance

- It is becoming increasingly popular for advertisers to flight campaigns by specific days to achieve various marketing objectives and promotional bursts. In these cases, it is very important to recognize the significant variance in CTRs by day of the week.
- Clearly, Monday to Friday work week CTRs—driven we can only assume by desk-bound computer workers—show significantly higher CTRs than those recorded on the weekend. CTR levels peak midweek, with Wednesday's CTRs as much as 27% higher than weekend CTRs.
- Interestingly, in a related analysis, we found that Saturday has the highest video completion rates (VCRs), indexing 14% above the baseline. This suggests that if an advertiser is able to capture a consumer's attention on a Saturday, he/she is more likely to take the time to listen to the entire message. (Videology's full analysis of VCR norms and trends will be released shortly in an upcoming white paper.)



CTR Index

## CTR Norms: Daypart Variance



CTR Index ; Hour by Hour

- Hour-by-hour variances also support the increase in CTRs during traditional work hours, peaking at 9AM and remaining strong through late afternoon.

## CTR Norms: *Content Variance*

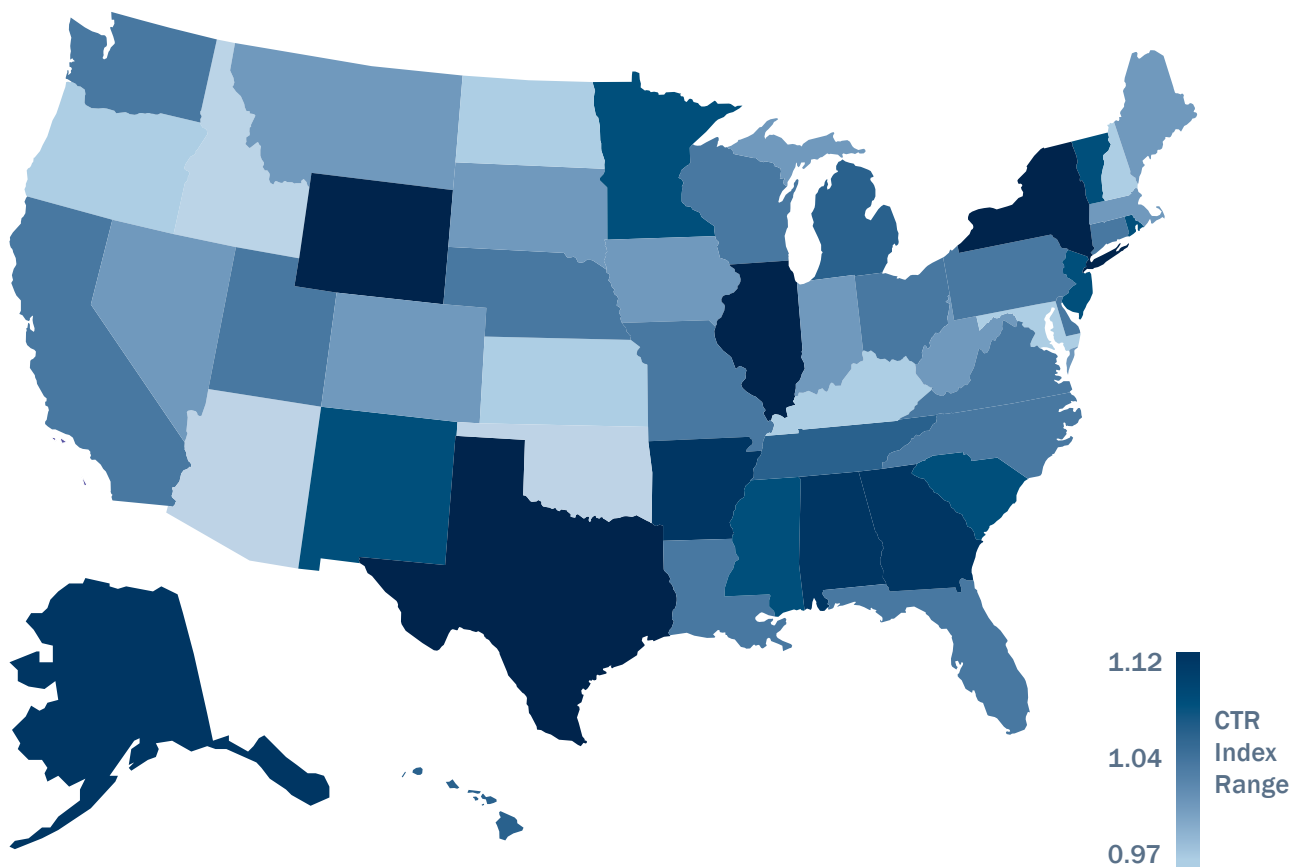
- As one would expect, content type certainly has an impact on CTR performance, supporting the notion that contextual relevance is an important factor to consider within a campaign.
- Our analysis of 18 content genres comprised of 259 specific sites showed a great disparity between the top performing content genre and the lowest performing genre, with a 100 percentage point difference between the two.

## *Top 10 Indexing Content Genres*

- 1.79** Health
- 1.67** Community
- 1.37** Men's Lifestyle
- 1.35** Technology
- 1.31** Food
- 1.24** Portal
- 1.08** Gaming
- 1.01** Entertainment

- It should also be noted that while we did not specifically measure endemic advertisers within the various content categories for this report (this will be part of a subsequent study), past analyses have shown a somewhat counterintuitive effect on CTRs. In other words, CTRs are sometimes lower for endemic advertisers to a site (e.g., home improvement stores on a DIY site). If CTR is a primary objective, advertisers should keep this in mind when selecting the optimal vertical mix for a brand's video campaign.

## CTR Norms: Geography



- Continuing the trend of CTR variance, a geographic analysis of the U.S. shows clear differences in click through performance norms.
- While one might expect higher CTRs in states with major metropolitan areas, our findings showed no consistent or predictable trends at the state level. While New York has one of the highest CTR indices, California (arguably the tech hub of the United States) places more in the middle.
- This insight into geographic norms is particularly important to regional advertisers. Performance and norms must be looked at on a local level to optimize direct engagement and response from consumers. Our future research will include norms on both the DMA and zip code level.

## ENHANCING CTR'S VALUE MEANS UNDERSTANDING NORMS: *Improving CTR Performance Means Understanding Your Target*

Our analysis demonstrates that through the use of predictive analytics we can clearly formulate norms for video CTRs by sector, demographic and other key indicators. However, beyond this, we can also use predictive analytics to help improve the likelihood that a video ad will be viewed by serving the right message, to the right person, at the right time.

### In other words, norms were made to be broken.

In terms of CTRs, we know that through more precise targeting, we can improve CTR considerably, independent of external factors. So regardless of a sector's or an audience's norms, CTR shows substantial, relative improvement when targeted with ad decisioning platforms. [See side box for results Videology research study entitled "[Creative Length vs. Relevancy/What Really Matters?](#)" for more information of potential CTR lift through targeting.]

### **PUSHING THE NORMS WITH VIDEO AD TARGETING**

In November 2010, tidalAnalytics released a study entitled "[Creative Length vs. Relevancy/What Really Matters?](#)" The goal of the study was to determine the role of targeting on video ad performance.

To achieve this, we first evaluated the performance of untargeted :30 second video ads vs. untargeted :15 second video ads. In line with other industry studies, the Videology analysis found that :30 second ad performance surpassed the :15 second ads in CTR by 11%. We then looked at what would happen if we targeted the ads specifically to the desired demographic audience (as determined by the advertiser). In this scenario, CTR for the :15 second targeted video ads increased by 110% as compared to the :30 second untargeted ad, with a 29% lift in video completion rates.

This study clearly shows the favorable link between ad relevancy and consumer's brand engagement, and underscores the importance of placing the right ad in front of the right person, regardless of other contributing factors such as ad length. While marketers will still be faced with choosing between available creative units, placements, vendors, and appropriate budget allocation, by prioritizing demographic targeting within an online video campaign a marketer can more effectively achieve their campaign objectives.

However, as we pointed out earlier in this paper, as leaders in the video advertising space, we believe it is our job to help lead the evolution in the way that advertisers measure ROI against true brand objectives. And while this paper provides guidelines to help advertisers properly use and improve CTR video metrics, the truth is CTRs are never the true end goal. Whether it's time spent on the site watching a new movie trailer, or signing up for a car insurance quote, achieving the desired action from a consumer that the "click" facilitates is the advertiser's ultimate goal.

As part of our commitment to evolving the way video campaigns are planned, executed, optimized and measured, we are deploying new ways to drive and measure against an advertiser's key objective (awareness, share of voice, leads, sales, etc.) via a consumer action, such as clicks, video completion, post ad exposure behaviors and other measures. In future analyses, we look forward to presenting additional research on the expanding capabilities of addressability throughout the entire consumer purchasing funnel.

## APPLYING CTR NORMS TO REAL WORLD MEDIA PLANNING

As pointed out previously, there are a complex set of success metrics that can and should be used to plan and optimize an online video campaign based on an advertiser's goals. However, if achieving optimum CTR is one such goal, then applying CTR norms to performance analysis is crucial. Targeting and optimizing against CTR norms can have a dramatic impact on determining performance results.

### EX. 1: MANAGING CTR EXPECTATIONS: SAME ADVERTISER, TWO DIFFERENT SITES

Advertiser X, a sleep aid product, wants to target older consumers who often show up to work tired due to lack of sleep the night before. As the following chart shows, Advertiser X is using Media Partner A—a publisher capable of targeting by demo and daypart—and Media Partner B—a publisher with no targeting capabilities. Applying our understanding of CTR norms, we know that each Media Partner should expect very different CTR performance based on the advertiser's criteria and the site's targeting capabilities.

As the chart below shows, a quick glance a CTR performance would suggest that Media Partner A is out-performing Media Partner B by a substantial margin. However, closer analysis based on norms for each buy shows that each is performing in line with expectations.

#### Sleep Aid Targeting 55+ Consumers, Weekday Mornings

Desired Target		Media Partner A's Capabilities	CTR Index	Media Partner B's Capabilities	CTR Index
Age	55+	User Targeted	120	Audience Composition	110
Gender	None	-	-	-	-
Geo	None	-	-	-	-
Days	M-F	M-F	112	M-F (Not Targeted)	107
Time	Morning	Morning	110	AM (Not Targeted)	100
Site		Slight CTR Skew	110	Slight CTR Skew	90
Total Expected CTR INDEX			163	Total CTR INDEX	101
Expected CTR (Assuming 0.8% Industry Avg)			1.3%	Expected CTR	0.80%
Actual CTR Delivered			1.2%	Actual CTR Delivered	0.85%

## Ex. 2: Managing CTR Expectations: Same Site, Two Different Advertisers

Our second example shows that in addition to adjusting CTR expectations between various media partners, one must also adjust for differences between two advertisers with different targets on the same site. For instance, Brand X, a beer, should expect a CTR slightly below the industry norm based on its category, geo, demo and daypart mix with Media Partner A. However, Brand Y, a retailer with completely different targeting criteria, can actually expect a CTR 50% higher than that of Brand X on the same site.

As the chart shows, an uninformed reading of CTR performance would suggest that both Advertiser X & Y are performing quite well and outpacing industry averages. However, analysis based on norms shows that while Advertiser X is significantly outperforming expectations, Advertiser Y is actually slightly underperforming based on targeted norms.

### Media Partner A

#### Advertiser X:

Beer brand targeting Men 25-49 in Western US

#### Advertiser Y:

High-end grocery retailer targeting mature female, weekday shoppers in the South and East

	Advertiser X	CTR Index	Advertiser Y	CTR Index
Ad Category	Consumer Goods	93	Retail	99
Age	25-49	101	50+	108
Gender	Male	100	Female	102
GEO	West	95	East, South	104
Days	Fri, Sat, Sun	102	M-F	112
Time	Afternoon	100	9am-3pm	115
Total Expected CTR INDEX		91	Total CTR INDEX	146
Expected CTR (Assuming 0.8% Industry Avg)		0.7%	Expected CTR	1.2%
Actual CTR Delivered		1.0%	Actual CTR Delivered	1.1%

In both instances, an analysis based solely on raw CTR performance rates could result in penalizing media partners that are actually performing well against a given target. Subsequently, in an effort by the media partner to boost bottom line CTR, targeting and overall campaign objectives could suffer. Accounting for CTR differences allows for a truer evaluation of a media partner's performance which will drive optimization and, ultimately, increase campaign ROI.

## About Videology

The Videology Addressable Audience Platform ([videologygroup.com](http://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, Los Angeles, Chicago, San Francisco and London.

For additional information, please contact  
**Rob Banning, Director Marketing**  
[rob@Videologygroup.com](mailto:rob@Videologygroup.com)

1500 Whetstone Way, Suite 500  
Baltimore, MD 21230  
[www.videologygroup.com](http://www.videologygroup.com)

