

A close-up photograph of a young man and woman lying in bed, smiling and looking at a smartphone held by the man. The man has dark hair and a beard, and the woman has long dark hair. They are both wearing white shirts. The background is a soft, out-of-focus white pillow.

FREEWHEEL
A COMCAST COMPANY

VIDEO
MONETIZATION
REPORT

Q3
2017

DRIVING VALUE THROUGH PREMIUM VIDEO

THE QUARTERLY BAROMETER
OF THE INDUSTRY



FREEWHEEL
A COMCAST COMPANY

VIDEO
MONETIZATION
REPORT

Q3 2017

When it comes to video, viewers have more choice than

ever in terms of what, where, when, and how they consume content. At the same time, advertisers have a wider array of channels through which they communicate with their intended audience. Premium publishers have responded to the increasingly competitive landscape by improving the value they deliver to both consumers and advertisers. They have made content available on a menagerie of devices, both on-demand and live, and through both traditional and new-to-market distribution partners. For advertisers, they continue to offer a brand-safe environment alongside high-quality, engaging, professionally produced content.

Publishers also continue to refine their ad models by experimenting with ultra-short six second spots, optimizing ad loads to drive higher engagement, using advanced data sets to make their sales packages¹ more sophisticated, and developing standards through initiatives like OpenAP² to streamline audience-buying for brands.

This quarter, we explore the positive outlook for premium video publishers, as they aim to provide differentiated solutions and increasingly work together to rebuff the “pretenders to television’s video advertising crown”³:

- Premium video ad views grew 24% year-over-year, driven by increased viewership and monetization on live and full-episode content
- Set-top box video on demand (STB VOD) took the #1 growth spot in Q3 2017, growing by 54% to claim 20% share of premium video ad views
- Programmatic solidified its position in the publisher toolkit, comprising a 13% share of monetization in Q3 2017 and growing at a rate of 19% year-over-year
- Syndication through Multichannel Video Programming Distributor (MVPD) channels increased by 67% year-over-year as publishers increase investment in platforms that offer the greatest transparency and control
- Premium video solidified its value proposition as an engaging destination for both brands and consumers, achieving a mid-roll ad completion rate of 98% in full-episode content
- Though desktop still reigns in Europe with 35% of ad views, increasingly popular over-the-top (OTT) and STB VOD devices are poised for a coup with a combined share of 34%

Premium video continues to grow at a double-digit pace, even in the face of mounting competition.

Read on as we cover the latest our industry has to offer.

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Advisory Services (EU)

1. “NBC Commits to \$1 Billion in Ad Deals that Move Beyond Nielsen Guarantees,” (March 2017). Retrieved at <http://adage.com/article/special-report-tv-upfront/nbc-commits-1-billion-ad-deals-move-nielsen-guarantees/308142/>

2. “Turner, Viacom and Fox Debut ‘OpenAP’ Ad Targeting Plan to Broader View,” (April 2017). Retrieved at <http://variety.com/2017/tv/news/turner-viacom-fox-open-ap-advertising-digital-targeting-1202026262/>

3. “The State of Video 2017,” (November 2017). Retrieved at <https://www.groupm.com/news/groupm-releases-state-of-video-report>





Q3 2017 CORE OBSERVATIONS
THE MOST DEFINITIVE DATA
AVAILABLE ON PREMIUM VIDEO

UNITED STATES

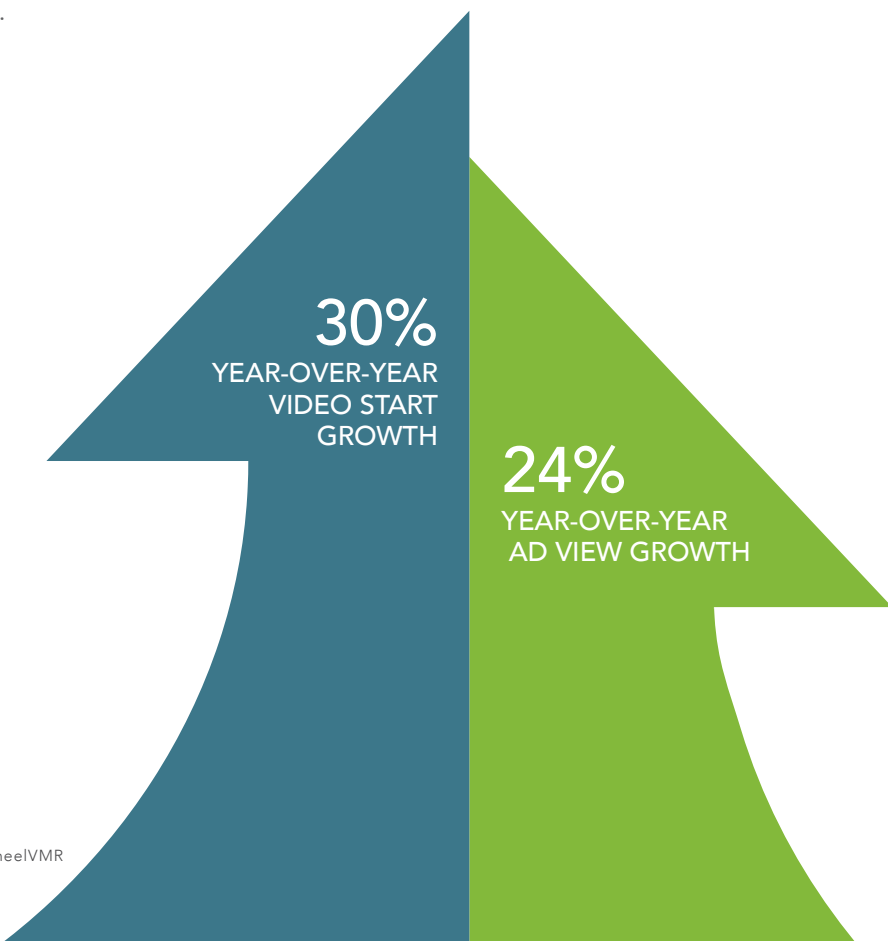
NEW DISTRIBUTION PARTNERSHIPS AND DIFFERENTIATION DRIVE GROWTH

Premium video advertising grew across content types, devices, and sales channels in Q3 2017. Video ad views grew 24% and video starts increased 30% compared to Q3 2016. The higher growth of video starts relative to ad views indicates that premium publishers still have more opportunity to convert viewership gains into advertising impressions. As publishers invest in making their content available across more platforms and build compelling viewing experiences for consumers, advertisers consistently turn to premium video to reach those engaged audiences.

During this quarter, which marked the start of the new fall season of TV programming, clips, full episodes, and live streamed video all generated more ad views compared to the same period last year. Full episodes produced the largest share of ad views as well as the highest growth of any content format, propelled by the continued ascendance of OTT devices and an increased monetization of STB VOD inventory through dynamic ad insertion. Both those platforms are dominated by long-form, full-episode viewing that provides the immersive, lean-back experience that viewers seek when switching on their television set.

CHART 1

TOTAL VIDEO START AND AD
VIEW GROWTH, U.S.
Q3 2016 VS Q3 2017





Increased ad monetization of STB VOD content, which grew 54% year-over-year in Q3 2017, highlights the importance distribution partners have in reaching new audiences and opening up new revenue opportunities. Premium publishers are building on their television carriage agreements with MVPDs by making content available for on-demand consumption and dynamic ad insertion across set-top boxes and TV Everywhere platforms. By working together to make content accessible in more places, premium video publishers and distributors create increased value for consumers and are more likely to keep them within the television ecosystem.

In addition to delivering better experiences to viewers, premium publishers have become more sophisticated in terms of how they drive value for advertisers. More publishers now offer their inventory to advertisers through both direct and programmatic sales channels, which allows buyers to apply their data and execute campaigns with greater automation. In Q3, programmatic ad views grew 19% year-over-year, the strongest growth rate

of any quarter in 2017. Publishers are also investing in new ways to allow advertisers to directly target audience segments.

As the consumers' needs and advertisers' goals continue to evolve in frequently opposing ways, premium video publishers must increasingly work to compete with mass market digital platforms. "We can't revolutionize advertising if we are all working in silos," said Donna Speciale, President of Ad Sales at Turner, which is one of three programmers behind the OpenAP initiative. "We needed partners like Fox and Viacom to raise their hands and understand that when this is successful, we and our partners win. Television is a platform—we all own just a piece of it"⁴.

**PUBLISHERS AND DISTRIBUTORS
COLLABORATE TO RETAIN VIEWERS
IN AN INCREASINGLY COMPETITIVE
MEDIA INDUSTRY, GROWING OVERALL
MONETIZATION BY 24%**

4. "Why Now? Turner Stresses To Industry: Change Now Or Get Left Behind," (October 2017). Retrieved at <http://adage.com/article/turner-ignite/turner-stresses-industry-change-left/311032/>



CONTENT + DISTRIBUTION

FULL EPISODES AND SIMULCASTS POWER PREMIUM VIDEO

Full episodes and live streams, which together drove 80% of premium video ad views, experienced double-digit growth in Q3 2017. Full-episode ad views increased by 29% year-over-year, further solidifying its place as the content format with the highest market share of ad views. Live monetization, which consists of digital simulcasts of linear TV broadcasts as well as digital-only events, grew by 26% to claim just under a quarter of total ad views.

Despite only accounting for 25% of total live ad views, live news and entertainment simulcasts doubled their share of ad views this quarter. News and entertainment publishers are increasingly taking advantage of IP-based streaming TV services that provide new platforms for distributing their content live.

NEWS AND ENTERTAINMENT DRIVE GROWTH IN LIVE STREAM MONETIZATION, INCREASING AT 113% AND 99% RESPECTIVELY

In Q3 2017 ad views for short-form clips grew by 10%. Entertainment, sports and news content all made a relatively even share of these short-form ad views. Many publishers are also using clips as trailers or recaps to attract viewers to full episodes and live content. In the attention economy, short videos offer snackable viewing that delivers high reward for relatively small investment.

CHART 2

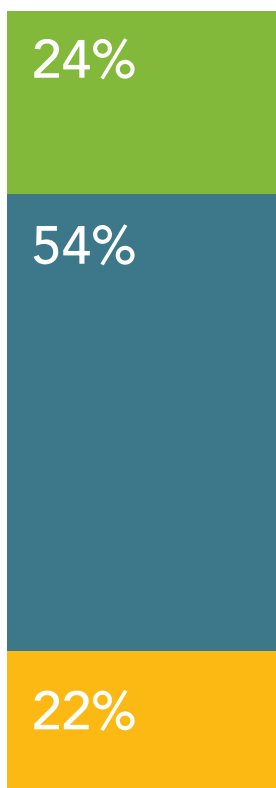
CONTENT COMPOSITION AND GROWTH BY FORMAT AND VERTICAL, AD VIEWS, U.S. Q3 2016 VS Q3 2017

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- Clips (0-5min.)
- Full-Episodes (5+ min.)
- Live

CONTENT FORMAT COMPOSITION

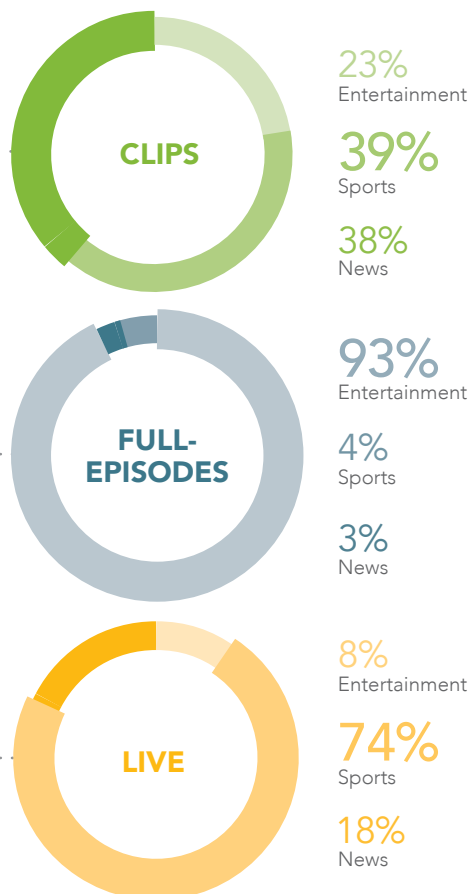
Q3 2016



Q3 2017



CONTENT FORMAT BY VERTICAL (Q3 2017 ONLY)



CONTENT + DISTRIBUTION

VIDEO BELONGS ON THE BIG SCREEN

As viewers have more choice in not only what to watch but where to watch it, premium publishers invest to keep viewers in the television ecosystem by expanding what is considered “TV.” Over the last four years, the landscape of premium video rapidly evolved from one centered around smaller devices to one anchored to the big screen.

In Q3 2017, OTT devices and STB VOD accounted for half of dynamically delivered premium video ad views. These devices, which provide an alternative route for viewers to access on-demand and live content on their television screens, fuel the growth of streaming services, which in turn drive even more consumption and monetization opportunities within their ecosystems.

Between 2013 and 2016, the ad view share of OTT in Q3 doubled every year. In Q3 2017, OTT was again the device platform with the largest number of ad views with 29% share and 47% growth year-over-year. According to forecasts by eMarketer, 168 million U.S. consumers—about two-thirds of the adult population—will watch video through a connected television device this year, an increase of 10% over 2016⁵.

As a sign of the continued strength of these platforms, OTT device manufacturer and platform operator Roku went public in late September. Roku increased its reach by not only producing its own

hardware but also striking deals with other device manufacturers to build its operating system into their devices. Over the last year, Roku went from 0% to 8% of the U.S. smart TV market and is capitalizing on their growing user base to drive revenue through advertising and partner revenue shares⁶.

STB VOD took the #1 growth spot in Q3 2017 growing by 54% to claim 20% share of premium video ad views. In the last year, many premium publishers increased dynamic monetization of ad inventory on set-top boxes as a way to capture revenue from viewing beyond the C3 and C7 windows.

Smartphones and tablets continued to maintain their stable shares, together accounting for 23% of ad views in Q3 2017. While desktop has the second highest share of ad views at 28%, it has steadily declined in share each year since 2013 as other platforms enter the television ecosystem to deliver additional content and value to consumers. As viewing options continue to expand and diversify, no single platform will dominate the way that desktop once did as viewers are able to customize their consumption to fit their environment.

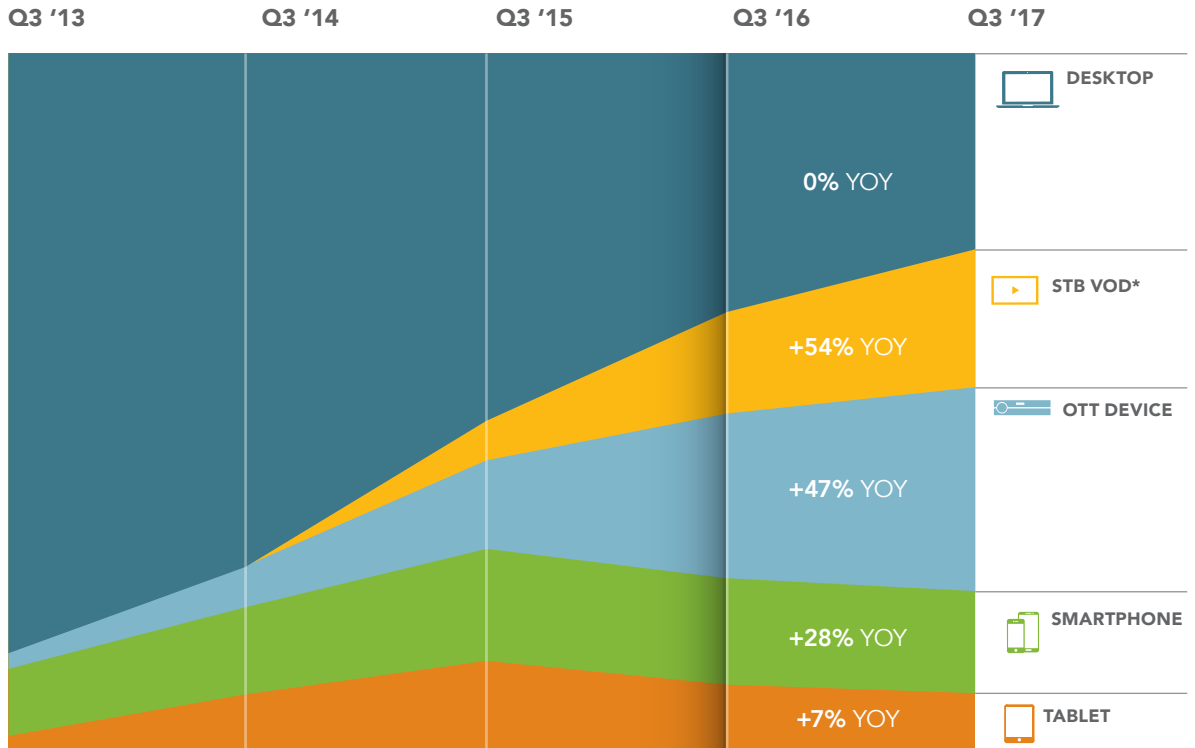
5. “168 Million Will Watch Connected TV in the US This Year,” (July 2017). Retrieved at <https://www.emarketer.com/Article/168-Million-Will-Watch-Connected-TV-US-This-Year/1016233>

6. “How Advertising Could Be Roku’s Growth Engine,” (September 2017). Retrieved at <http://fortune.com/2017/09/06/how-advertising-could-be-rokus-growth-engine/>

CHART 3

AD VIEW COMPOSITION AND GROWTH BY DEVICE, U.S. Q3 2013 – Q3 2017

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COMPOSITION SHARES BY QUARTER

86%	73%	52%	36%	28%
—	—	6%	16%	20%
2%	6%	13%	22%	29%
8%	14%	19%	17%	15%
4%	7%	10%	9%	8%

* FourFronts STB VOD and Canoe Phase III integrations



Just as no single device platform dominates viewing, no single content type disproportionately dominates any particular device platform, with the exception of STB VOD. Clips, full episodes and live streams all contribute to each device platform's unique value proposition.

In Q3 2017, OTT had the highest share of live ad views (37%) of any platform. Live contributed to 30% of desktop ad views and 17% of smartphone and tablet ad views. The fact that live streams account for nearly one-fifth of all monetization on smartphones indicates that quality content will draw users to even the smallest of screens.

Setting aside STB VOD, which is entirely long-form content, full episodes made up the most ad views on tablet devices (61%). While most of the recent

attention around “lean back” viewing has focused on the television, tablets are still an important source of long-form entertainment and are easy to use for consumers of all ages. Full episodes make up 55% of OTT ad views and 45% of smartphone ad views, notably higher than the 31% on desktop. This suggests that smartphones aren't just used for clips. With improved functionalities and streaming speeds, mobile devices will play an increasingly important role in extending the reach and durability of television content.

THE MAJORITY OF MONETIZATION ON MOBILE DEVICES ORIGINATES FROM LIVE AND FULL EPISODE CONTENT

CHART 4

CONTENT COMPOSITION BY DEVICE, AD VIEWS, U.S.
Q3 2017

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- Clips (0-5min.)
- Full-Episodes (5+ min.)
- Live

STB VOD



OTT DEVICE



SMARTPHONE



TABLET



DESKTOP/LAPTOP





CONTENT + DISTRIBUTION

BRAND SAFETY PARAMOUNT AS PREMIUM REACHES FOR NEW AUDIENCES

Publishers syndicate content to off-domain platforms as a way to grow audiences, scale, and earn extra revenue on popular library content. However, premium publishers largely opt for protection and safety, even if they risk losing some scale in the process. Over time, we have seen publishers shift away from long-tail distributors, decreasing monetization on the platform by 55% year-over-year in favor of syndicating through trusted MVPD partnerships.

**SYNDICATION ON MVPD PLATFORMS
GREW BY 67% YEAR-OVER-YEAR,
SHOWCASING THE IMPORTANCE
OF HIGH-QUALITY DISTRIBUTION
CHANNELS AS NEW DISTRIBUTION
COMPETITORS EMERGE**

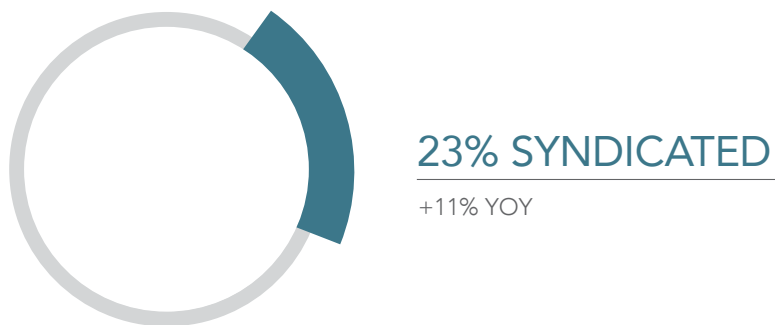
In Q3 2017, syndication through trusted MVPD channels increased by 67% year-over-year. MVPD channels offer the greatest transparency and control, as they are established partners with whom premium publishers have long-standing linear distribution agreements. The rise of virtual MVPD and OTT subscription services offers premium publishers new ways to collaborate and expand distribution through these partnerships. Many of these services aim to replicate the “one stop shop” offered by traditional MVPD bundles.

CHART 5

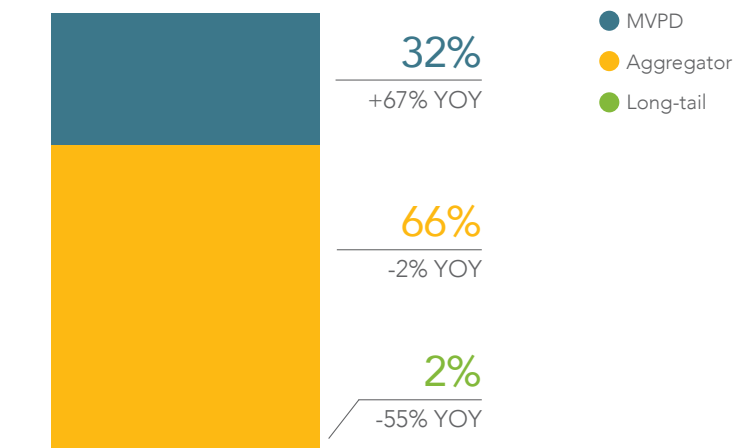
[Click to Tweet](#)

SHARE AND GROWTH OF AD VIEWS BY SYNDICATION PLATFORM, U.S. Q3 2017

TOTAL VOLUME OF AD VIEWS, U.S.



BREAKDOWN BY PLATFORM



MONETIZATION

DIRECT-SALES REIGN, WHILE COMPLIANCE IMPROVEMENTS SOLIDIFY PROGRAMMATIC IN PREMIUM VIDEO

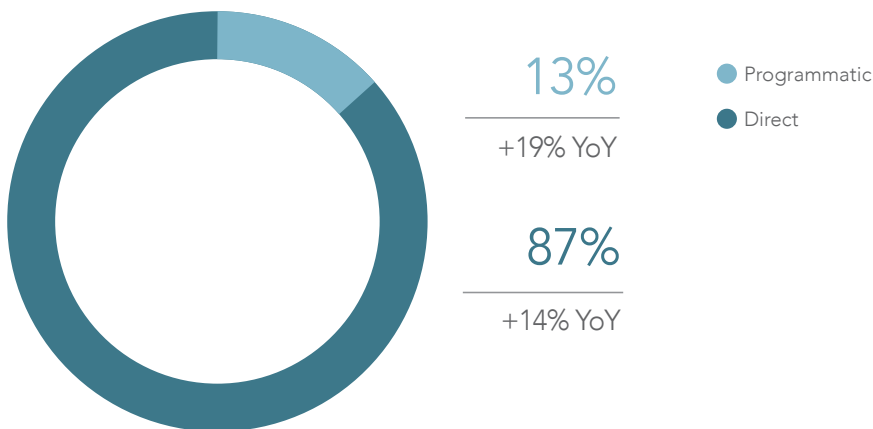
Premium video publishers continue to monetize most of their content through direct sold deals, and transact programmatically at a lower rate than other digital publishers. As technology improves, publishers looking to increase efficiency through automation or capture demand through indirect sales have incorporated these technologies into their businesses. Programmatic share of monetization was 13% in Q3, growing 19% compared to Q3 2016.

Even as programmatic monetization reached an all-time high this quarter, the industry is investing in new ways to combat inventory fraud. The Interactive Advertising Bureau (IAB) recently began an initiative

known as ads.txt to protect both buyers and publishers by generating a quick and simple way to identify all of the programmatic partners authorized to sell a specific publisher's inventory. While adoption has not been immediate, an analysis by Ad Ops Insider showed that participation has more than tripled since the beginning of September 2017⁷. Buyers urged publishers to adopt the technology as well, with some even openly threatening to block publisher domains that did not come on board⁸. This kind of cooperation will be key in ensuring transparent, secure, and mutually beneficial transactions going forward.

CHART 6

SHARE AND GROWTH OF DIRECT AND PROGRAMMATIC MONETIZATION, U.S. Q3 2017

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7. "State of Ads.txt Adoption," (September 2017). Retrieved at <http://www.adopsinsider.com/ad-exchanges/ads-txt-adoption/>

8. "An open letter to publishers on ads.txt: Adopt or be blocked," (September 2017). Retrieved at <https://digiday.com/marketing/open-letter-publishers-ads-txt-adopt-blocked/>



MONETIZATION

PREMIUM VIDEO ATTRACTS DIVERSE PORTFOLIO OF ADVERTISERS SEEKING MEASURABLE REACH

Premium digital video delivered a balanced variety of advertisers across all industries in Q3 2017, promoting a positive ad experience while still informing viewers of the latest products and services. Consumer Packaged Goods (CPG) retained the top spot in Q3 2017, and eMarketer forecasted a \$7.3 billion CPG investment in digital ads in 2017, up from \$6.2 billion in 2016. Brand marketing leaders such as Marc Pritchard, Chief Marketing Officer, Procter & Gamble, continue to call for “uniform viewability and measurement standards,” while other advertisers push for “assurances that ads appear around quality content”⁹.

Publishers are increasingly investing in data-enabled transactions, which leverage data to target specific audiences before an impression is delivered. Earlier this year, NBCUniversal announced a commitment of \$1 billion worth of advertising inventory to data-based transactions for the 2017-2018 upfront season. Linda Yaccarino, Chairman of Advertising Sales and Client Partnerships, NBCUniversal, mentioned that this gives, “the client the best of both worlds: the premium content that is truly responsible for the success of a brand with the laser targeting that they crave”¹⁰. We expect these types of transactions to increase as publishers invest in building out first- and third-party audience data sets.

9. “US CPG and Consumer Products Industry StatPack 2017: Digital Ad Spending Forecast and Trends,” (May 2017). Retrieved at <http://totalaccess.emarketer.com/reports/viewer.aspx?r=2002066>

10. “Inside NBCUniversal’s Billion-Dollar Bet on Data-Based Advertising,” (April 2017). Retrieved at <http://www.adweek.com/tv-video/inside-nbcuniversals-billion-dollar-bet-on-data-based-advertising/>



CHART 7

AD VIEW SHARE BY ADVERTISER
INDUSTRY, U.S. PROGRAMMERS
Q3 2017

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21%

Consumer Packaged Goods



14%

Retail



12%

Financial & Business Services



12%

Auto



10%

Entertainment & Media

8%	TELECOMMUNICATIONS
6%	COMPUTING PRODUCTS
6%	QUICK SERVICE RESTAURANTS
5%	HEALTHCARE & PHARMACEUTICALS
3%	TRAVEL & LEISURE
1%	GOVERNMENT & NON-PROFIT
1%	ENERGY, MANUFACTURING, UTILITY & INDUSTRIALS
.5%	EDUCATION

MONETIZATION

PUBLISHERS EXPERIMENT WITH LEVERAGING PROGRAMMATIC TO FIND NEW BUYERS

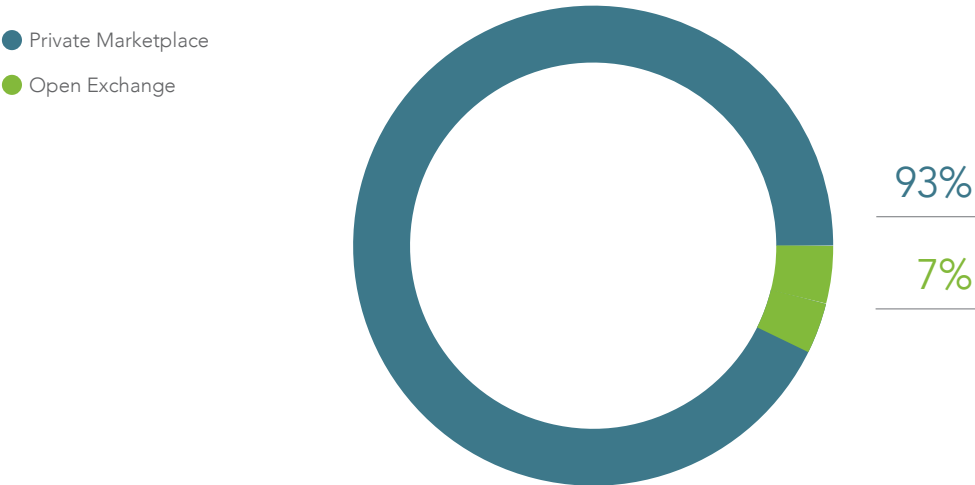
Safety and compliance remain paramount as publishers bring programmatic into the fold. In a sample of FreeWheel clients using our supply-side platform, 93% of programmatic impressions were delivered in private marketplaces. These marketplaces enable publishers to control the buyers that can access their inventory. Additional control allows publishers to better enforce brand compliance, making the model attractive for brand marketers as well. Buyer transparency also protects the publisher and promotes a positive ad experience for the viewer. In addition, as private marketplaces are

built on existing relationships, many agencies and publishers also use these channels to execute direct-sold deals. Depending on the deal structure, programmatic channels offer an opportunity to automate the campaign setup process and create workflow efficiencies.

Though compliance and control remain a priority, 7% of premium video programmatic impressions were served from open exchange demand sources. Although open exchanges do not offer the same levels of control, publishers can leverage these channels to open their inventory to new brands.

CHART 8
AD VIEW SHARE BY PROGRAMMATIC TRANSACTION MODEL, BROADCASTERS, U.S. Q3 2017

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Data set for this analysis consists of a sample of clients using the FreeWheel SSP.

New buyers result in greater advertiser diversity and also the possibility of converting that buyer into a direct-deal or private marketplace.

Much of the news around brand safety and fraud originates from non-premium publishers¹¹, making advertisers wary of where ads run. These concerns further increase interest in premium environments that guarantee quality content, even if the inventory is more expensive. Open exchanges allow these advertisers to experiment with a range of premium publishers on a smaller

scale without committing a larger portion of their budgets upfront. Publishers can then leverage open exchanges to find new demand sources and maximize their inventory monetization.

PREMIUM VIDEO DEMANDS TRANSPARENCY AS PROGRAMMATIC TRANSACTIONS INCREASE

11. "Social media chaos forces tech giants to rethink their standards," (October 2017). Retrieved at <https://www.axios.com/social-media-chaos-forces-tech-giants-to-rethink-their-standards-2498193938.html>





AD EXPERIENCE

PUBLISHERS EVOLVE TOWARDS DIVERSE AD EXPERIENCES

In the face of growing competition from subscription and ad-free services, viewers and publishers alike place a premium on ad experience. Publishers continue to experiment with new ways to deliver a seamless content experience for viewers while providing a medium for brand marketers to distribute their message. This quarter, we observed the rise of the six-second ad, a format that has received attention from major publishers such as Fox, Discovery, and AMC. As publishers look to experiment with new models to improve ad experience for viewers while securing positive ROI for brand marketers, the bottom line still remains crucial for long-term sustainability¹².

12. "Six-Second Ads Rise Up With 'Walking Dead,' Fox And The NFL Leading The Way," (October 2017). Retrieved at <http://deadline.com/2017/10/tv-networks-6-second-ads-fox-nfl-walking-dead-1202188199/>

AD EXPERIENCE

AD ENGAGEMENT

Ad completion rates, which measure the percentage of ads that were completed once started, remain in the high double digits for the third consecutive quarter in 2017. The rates were highest during mid-roll breaks where viewers were already immersed in the content. Publishers worry that ads will deter viewers from consuming content, while advertisers worry that viewers will not engage with the full brand message. High ad

completion rates should help put some of these concerns to rest.

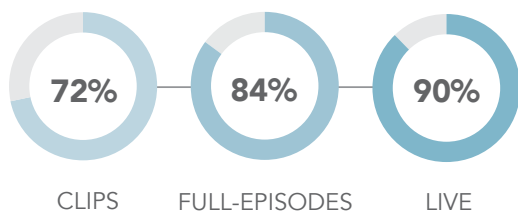
The continued blending of linear TV to digital means that viewers expect an increasingly personalized experience¹³. Publishers can work with marketers to use data to target specific ads to specific viewers, increasing the ad's relevance and engagement¹⁴.

CHART 9

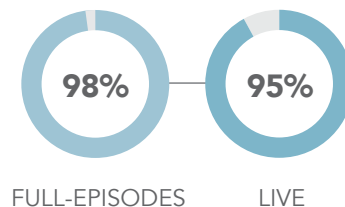
AD COMPLETION RATES BY AD UNIT AND CONTENT DURATION, U.S.
Q3 2017

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PRE-ROLL



MID-ROLL



13. "Television is Dead. Long live Video," (November 2017). Retrieved at <https://marketingland.com/television-dead-long-live-video-227279>

14. "If you want to deliver relevant ads, you've got to get better at using data," (May 2017). Retrieved at <https://marketingland.com/want-relevant-ads-youve-got-get-better-using-data-213881>

AD EXPERIENCE

AD LOAD

Too many ads can deter even the most engaged viewers. As a result, most of the historical press coverage around ad loads stressed the notion that TV has too many ads and must reduce advertising to remain competitive¹⁵. Others see things differently, and recent press coverage noted how some programmers actually experimented with increased ad loads on NFL games this quarter¹⁶. These programmers were able to yield more advertising revenue as a result, though the longer-term effects on viewership are yet to be seen. The fact that some programmers actually raise ad loads in certain scenarios is further testament that the industry is still experimenting with the correct balance.

Ad loads remained consistent across devices on full-episode, on-demand content in Q3 2017. Publishers may be standardizing their ad loads across all full-

episode content irrespective of the specific platform. On the other hand, pre-roll monetization on clips is customized to the endpoint. Mobile devices and laptops are more conducive to clip consumption, and thus of more interest to advertisers. As a result, those platforms tend to include more pre-rolls in comparison to OTT devices. A study from the FreeWheel Council for Premium Video titled, “The Short-Form Video Ad Experience,” revealed that viewers expect around three ads for every four clips, suggesting that publishers may have some flexibility in customizing clip ad loads¹⁷.

PUBLISHERS TEST BOTH REDUCED AND EXPANDED AD LOADS IN OPTIMIZING THE AD EXPERIENCE

CHART 10

AVERAGE NUMBER OF ADS PER MID-ROLL BREAK, FULL-EPISODES, U.S. Q3 2017

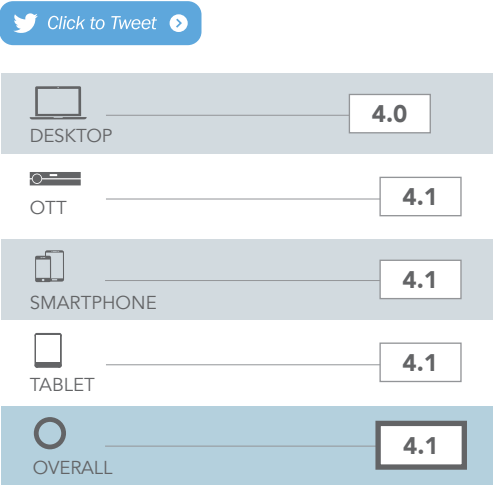
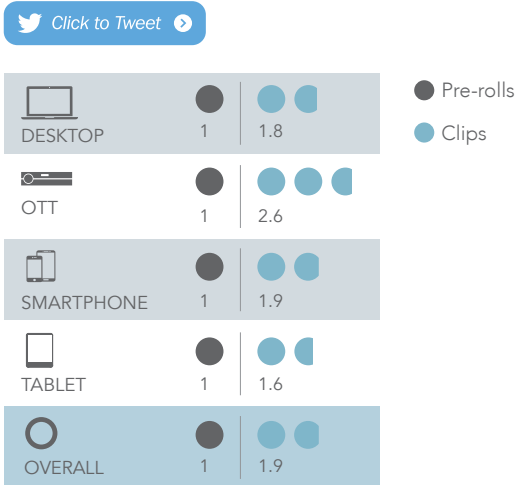


CHART 11

AVERAGE RATIO OF PRE-ROLLS TO VIDEOS, CLIPS, U.S. Q3 2017



15. “Disney’s CEO Says There Are Too Many Commercials on TV,” (February, 2017). Retrieved at <http://www.foxbusiness.com/markets/2017/02/14/disney-ceo-says-there-are-too-many-commercials-on-tv.html>

16. “NFL Ratings Are Down This Season, but TV Ad Spending Still Jumped 2 Percent in September,” (October, 2017). Retrieved at <http://www.adweek.com/tv-video/nfl-ratings-are-down-this-season-but-tv-ad-spending-still-jumped-2-percent-in-september/>

17. “The Short-Form Video Ad Experience,” (August 2017). Retrieved at <http://freewheel.tv/fw-council/#freewheel-council-positions>

AD REPETITION

Ad repetition rates on full-episode content improved again this quarter: 86% of full-episode ads did not repeat within a stream. Publishers recognize how much creative repetition negatively affects users and are implementing strategies to support advertiser diversity such as increasing programmatic marketplace transactions. Ad repetition in live content is more difficult to control than on-demand repetition due to less predictable commercial breaks and longer viewer sessions. Event sponsorship packages that also include physical event banners, bumpers, display, and social are more common for live events. These deals often require a certain level of guaranteed brand exposure to viewers that can drive up repetition rates. In addition, we

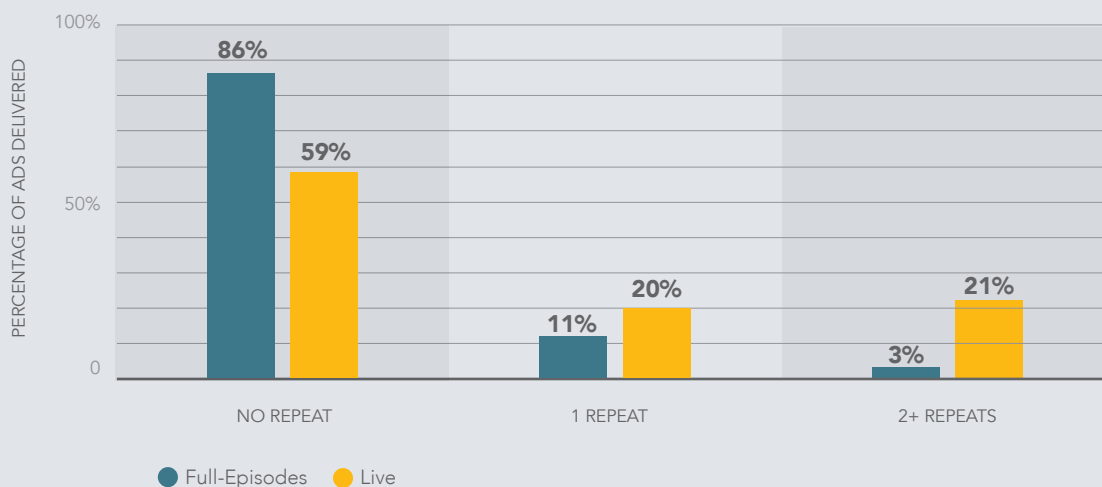
consistently observe double-digit growth rates in live content as the format draws in new publishers to support digitally monetized live streams.

INCREASED MONETIZATION OF LIVE CONTENT RESURFACES FAMILIAR LINEAR TV CHALLENGES

Viewers may complain about the number of repeated ads on digital streams, however, linear TV has faced similar challenges over the years¹⁸. That being said, the customization of digital video provides an advantage to publishers looking to optimize this component of the viewing experience.

CHART 12

AD REPEAT FREQUENCY PER STREAM BY CONTENT FORMAT, U.S. Q3 2017

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18. "Ad nauseam: Inside streaming video's repetitive ad problem," (March 2016). Retrieved at <https://www.techhive.com/article/3042594/streaming-media/ad-nauseam-inside-streaming-video-s-repetitive-ad-problem.html>





Q3 2017 CORE OBSERVATIONS
THE MOST DEFINITIVE DATA
AVAILABLE ON PREMIUM VIDEO
EUROPE

INTRODUCTION

In prior quarters, growth in video starts in Europe heavily outpaced the growth in ad views. However, in Q3 2017 monetization has started to catch up with a 31% increase in ad views compared to 35% increase in video starts. This was fundamentally triggered by an increase in monetization across

all content types, especially live and clips. When clients enable content across devices, they expand the amount of available inventory and can leverage existing strategies to efficiently monetize the additional platforms.

CHART 13

TOTAL VIDEO START AND
AD VIEW GROWTH, EUROPE
Q3 2016 VS Q3 2017

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35%
YEAR-OVER-YEAR
VIDEO START
GROWTH

31%
YEAR-OVER-YEAR
AD VIEW GROWTH

CLIPS DRAW VIEWERS TO LIBRARY CONTENT

The highest growth in Europe for this quarter comes from the monetization of clips. This shows the potential of clips across genres to act as a gateway for wider library offerings. Monetization of live content dropped slightly from the 4% in Q2 2017 to 3% despite growing 14% compared to last year. This is primarily driven by the increase in long-form content monetization traditional to Q3 being a strong season for entertainment shows.

CHART 14

AD VIEW COMPOSITION
AND GROWTH BY CONTENT
DURATION, EUROPE
Q3 2016 VS Q3 2017

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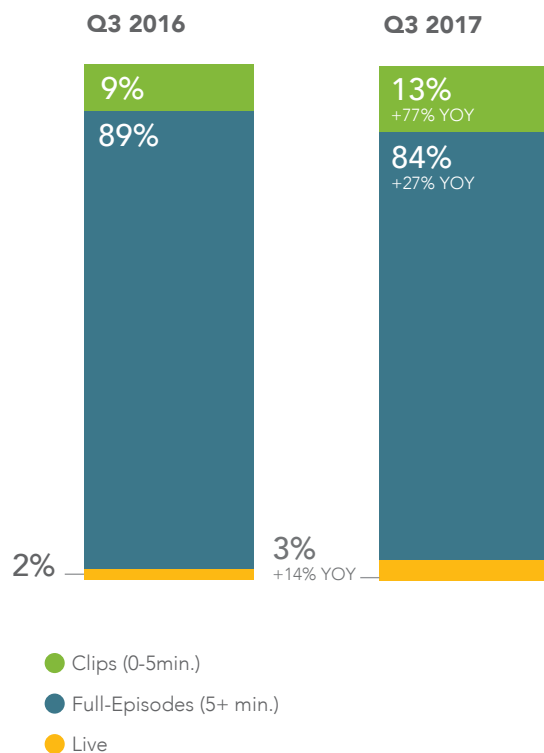
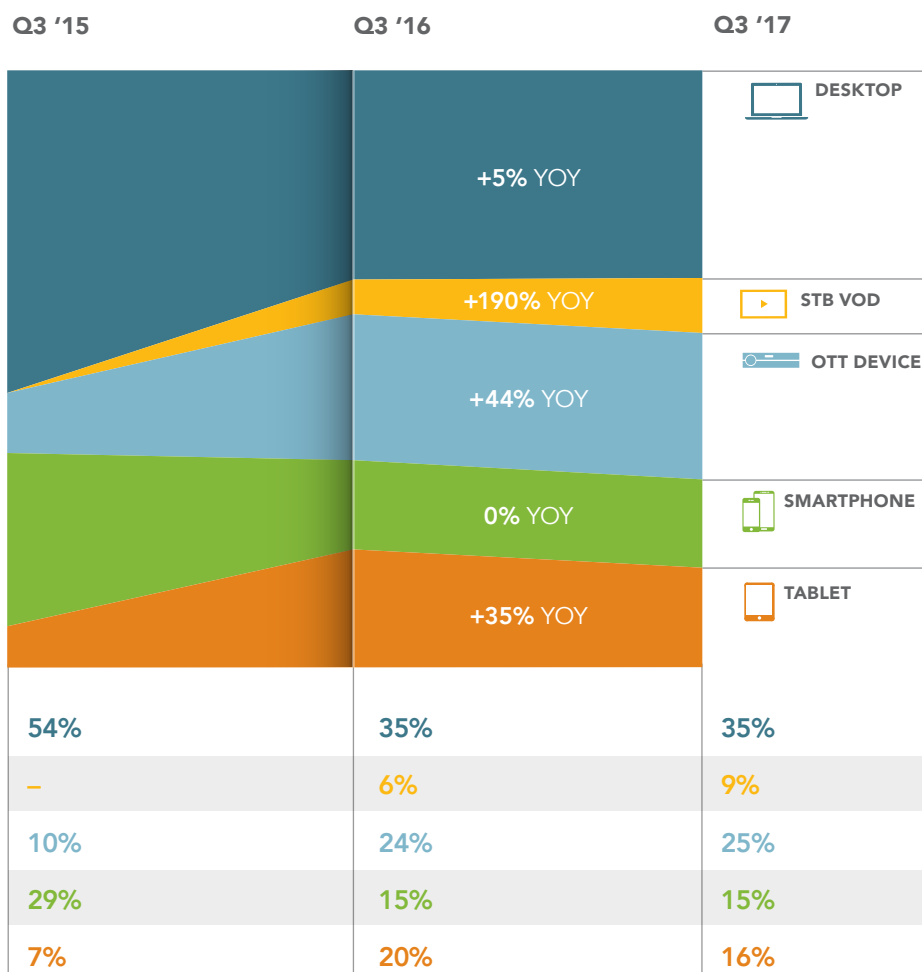


CHART 15

AD VIEW COMPOSITION AND GROWTH BY DEVICE, EUROPE

Q3 2015 – Q3 2017

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LIVING ROOM DEVICE MONETIZATION GAINS GROUND IN EUROPE

This quarter we observed an increase in the share of monetization on desktop from previous quarters. This sets the European market apart from the U.S., where desktop steadily declined over the past year. However, we continued to see a rise in big-screen viewing through IP delivery. STB VOD and OTT devices grew faster than all other platforms, and are catching up with desktop as a share of viewing. We expect the combination of STB VOD and OTT to grow closer to the 50% mark

over the next year. Smartphones and tablets, the traditional mobile devices, dropped to just 31% share of monetization. This highlights a continuation of European consumption habits towards the living room environment. With 87% of all viewing based on long-form or live premium content, it isn't surprising that the living room experience, and the associated devices to deliver that content, will continue to see their share of viewing grow and dominate the device composition chart.





BROADCASTERS AND OPERATORS MUTUALLY BENEFIT FROM SYNDICATION AGREEMENTS

Syndication represents a smaller portion of monetization in comparison to its U.S. counterpart. Broadcasters primarily leverage operator partnerships when syndicating content to attract new audiences. Broadcasters and operators are starting to test and explore the mutual benefits of syndication agreements, particularly for the targeted

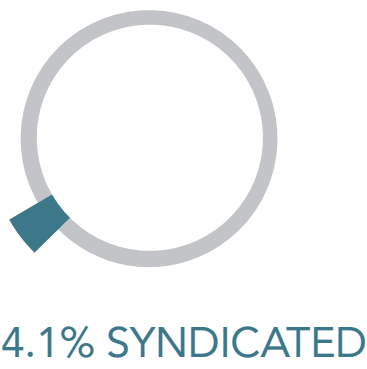
use of data, which is typically owned by operators, but applied to the broadcaster inventory. There are multiple benefits that come from addressable advertising and finding the sweet spot for the viewer, broadcaster, operator, and advertiser is a common goal for the foreseeable future.

CHART 16

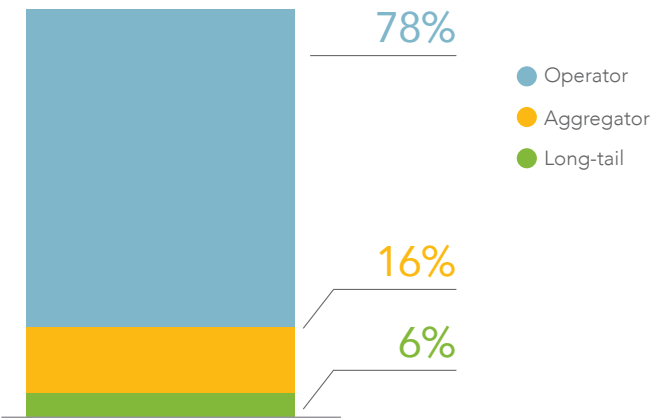
SHARE OF AD VIEWS BY SYNDICATION PLATFORM, EUROPE Q3 2017

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TOTAL VOLUME OF AD VIEWS



BREAKDOWN BY PLATFORM



PROGRAMMATIC TRANSACTIONS SUPPORT FOUNDATION FOR FUTURE GROWTH

The share of monetization through programmatic channels has dropped below the 20% mark, while showing stability year-over-year. European programmers often see seasonal shifts in impression volume during Q3 due to weather, summer holidays, and a new programming slate that launches in September. New direct sold campaigns booked

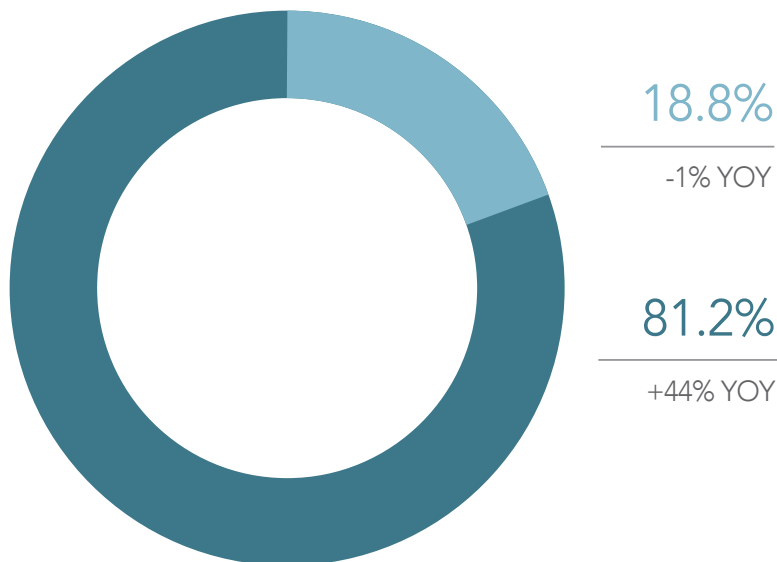
in September also shift the overall share away from programmatic. More and more clients are beginning to experiment with programmatic monetization, though many are still in the nascent stages of incorporating these technologies into their businesses. Programmatic transactions support the foundation for future growth of monetization across Europe¹⁹.

CHART 17

SHARE AND GROWTH OF DIRECT AND PROGRAMMATIC MONETIZATION, EUROPE Q3 2017

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- Direct
- Programmatic



19. "eMarketer: UK programmatic ad spend to reach £3.39bn this year," (December, 2017). Retrieved at <http://www.digitaltveurope.com/2017/12/12/emarketer-uk-programmatic-ad-spend-to-reach-3-39bn-this-year/> and "European broadcasters are joining forces to fight Facebook and Google," (November, 2017). Retrieved at <https://digiday.com/media/european-broadcasters-joining-forces-fight-facebook-google>

BROADCASTERS EXPERIMENT TO OPTIMIZE AD LOAD

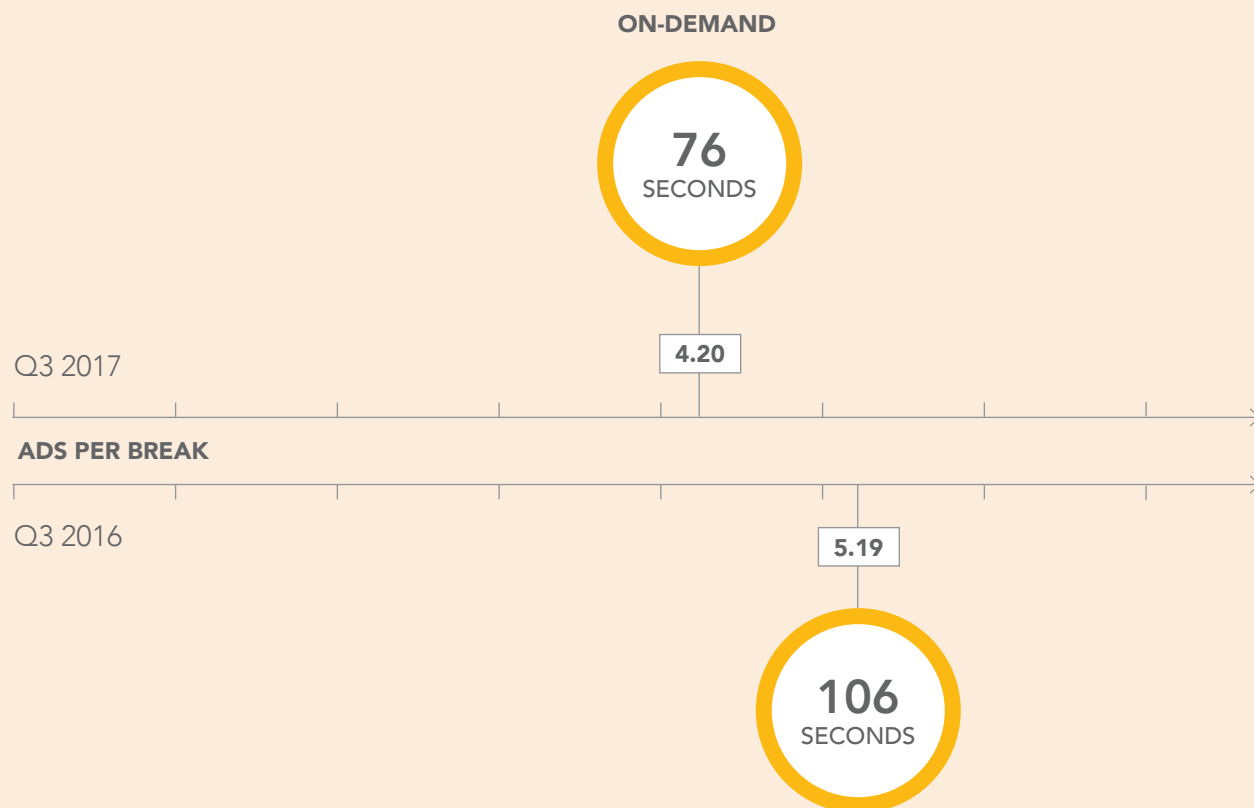
Ad loads steadily decreased over the first half of the year leading to another decline in Q3 2017. This decline, coupled with the overall increase in ad views, show that publishers are working towards a balance between monetization and user experience while

still increasing their bottom line. Most European markets are now progressively lowering ad loads in line with the top publishers in those markets, though the balance may shift as premium digital video matures in the region.

CHART 18

ON-DEMAND FULL-EPISODE AD
LOAD, EUROPE
Q3 2016 VS Q3 2017

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Q3 2017 CONCLUSION

In the face of rapid changes and increased complexity, premium video publishers continue to innovate, making it easier for consumers to watch their content and advertisers to reach their intended audiences. New players and incumbents continue to push the industry forward, continuously introducing new technology, platforms, and features. Emerging solutions that use data to improve ad relevance and customize the experience to each viewer will be critical to advancing the industry forward and retaining market share. Premium publishers have a proven reputation for providing a quality viewing experience and a safe advertising environment that will only become more important as the industry evolves.

Join us next quarter as we further explore these trends and the future of premium video monetization.



YING WANG

As Director of Advisory Services at FreeWheel, Ying Wang leads the company's Business Advisory Practice. In this role, she partners with enterprise and emerging media companies to develop and execute strategies for digital video that improve viewer experience, maximize yield, and grow revenue. Prior to FreeWheel, Ying advised media and retail companies as part of Oliver Wyman, a global management consultancy, and worked in Digital Distribution for the international division of Warner Bros. Home Entertainment.



JEREMY SCHER

Jeremy Scher is an Associate in FreeWheel's Business Advisory practice. In this role he collaborates with media clients to grow and evolve their digital businesses through consulting engagements. His portfolio includes projects such as competitor benchmarking analysis, yield management, process optimization, and workshop development. He is also a regular co-author of the Video Monetization Report and has contributed to other market-facing thought leadership. Before FreeWheel, Jeremy worked in Accenture's Management Consulting practice.



KIMBERLY GOUGHNOUR

Kimberly Goughnour is an Associate in FreeWheel's Product Advisory Practice. In this role, she works with media clients to provide tactical and strategic guidance to maximize their utility of the FreeWheel product suite. Her portfolio includes endpoint health analysis, new integration/feature implementation, and process optimization. Prior to working at FreeWheel, Kimberly managed programmatic campaigns at large agency trading desks and helped execute the go-to-market plan for VideoAmp's cross-screen video Demand Side Platform.



MIRUNA DOGARU

As Lead of Advisory Services at FreeWheel, Miruna Dogaru represents the European Business Advisory Practice. In this role, she works with new and experienced media companies to identify and implement digital strategies, maximize yield, and drive operational efficiency. Before FreeWheel, Miruna advised media and technology companies as part of Deloitte Digital.

Special thanks to: Steven Rosenblum, Xu Yao, Dustin Reyes, and Alexander Groysman

Ad Completion Rate

Measures the percentage of ads that were completed once started

Ad View

An impression that is accrued after the first frame of an ad is displayed

Aggregator

A high-traffic content aggregator, for example AOL or MSN

Content vertical

Content genre, e.g. news, entertainment, sports

Deal ID

Unique deal identifier of a programmatic transaction that can be used to match advertisers and publishers directly

Direct-sold

Advertising deals made directly between a publisher and an advertiser

Dynamic Ad Insertion (DAI)

Process of dynamically inserting ads into a content stream, such that different ads can be inserted into the same ad break

FreeWheel Council for Premium Video (FWC)

Serves the interests of those in the premium video industry through leadership positions, research, and advocacy to promote the premium video economy

Impression

Occurs each time an ad is displayed. Synonymous with “ad view”

Inventory

An ad opportunity. A piece of inventory is filled by an ad impression

Linear

Traditional broadcast, cable, or satellite television

Long-tail

Small scale/niche content aggregators

Mid-roll

An ad break that occurs in the middle of content

Multichannel Video Programming Distributor (MVPD)

Provides pay TV services delivered either through broadcast satellite or cable TV. Examples include Comcast and Verizon

New Living Room

The same high-quality TV content that was traditionally consumed in the living room is experienced today by the same audience through a multitude of screens and locations

Operator

Provides pay TV services in the EU, functioning similarly to MVPDs in the U.S. Examples include Sky UK and SFR

Over-the-top (OTT)

Viewing content delivered over an internet connection. Typically seen as OTT Device, which includes devices like Roku, Apple TV, Connected TVs, etc.

Over-the-top Device (OTT Device)

Viewing content delivered over an internet connection on a TV streaming device, including devices like Roku, Apple TV, Connected TVs, etc.

Pre-roll

An ad break that occurs before content starts

Premium Video

Video content that is professionally produced, rights managed, and limited in supply

Programmatic

The use of automation software or managed services to execute an advertising deal

Programmer

U.S. publishers that generate the majority of their advertising revenue from linear TV services and offer a diverse content mix in digital environments as well

Publisher

Producers or syndicators of content. Can be programmers or digital pure-plays

Set-top Box Video On Demand (STB VOD)

Accompanies a cable/broadcast/satellite setup. Contains a cable input and outputs to a TV. Integrations via FourFronts STB VOD and Canoe Phase III

Simulcast

A digital stream of a live event that is simultaneously broadcast on linear TV

Syndication

Viewing that occurs outside of a publisher's Owned and Operated properties or primary platforms

TV Everywhere (TVE)

Apps that allow viewers to access content over the internet by logging in with their MVPD subscription credentials

Video Start

Accrued after the first frame of video content is displayed. Formerly referred to as video view

Virtual MVPD

Digital-only cable alternatives that offer access to both live and on-demand premium video content for a subscription fee



VIDEO MONETIZATION REPORT

The FreeWheel Video Monetization Report is released quarterly and highlights the changing dynamics of how enterprise-class content owners and distributors are monetizing premium digital video content.

The data set used for this report is one of the largest available on the usage and monetization of professional, rights-managed video content worldwide, and is based off of census-level advertising data collected through the FreeWheel platform.

[#FreeWheelVMR](#)



VIDEO MONETIZATION REPORT

Q3 2017

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