GROWTH & CONVERGENCE: THE EVOLUTION OF PREMIUM VIDEO IN 2018

Q4 2018 WITH YEAR-END INSIGHTS
Video is evolving. We are evolving, too. The VMR now stands for the Video Marketplace Report, which reflects our heightened focus on consumer and buy-side trends to complement our comprehensive monetization data. As the worlds of linear TV and premium digital video converge, this report evolves to highlight trends across both.

In addition, to align with industry definitions, we have replaced the term OTT devices with connected TV. The IAB describes Connected TV as, “A television set that is connected to the Internet via OTT devices, Blu-ray players, streaming box or stick, and gaming consoles, or has built-in internet capabilities (i.e., a Smart TV) and is able to access a variety of long-form and short-form web-based content.”
MOVING INTO 2019 THE VMR HAS EVOLVED INTO THE VIDEO MARKETPLACE REPORT and now looks at trends across both linear TV and premium digital video. In this issue we look back at 2018, which marked a big year in the convergence of the two. Viewership trends looked more similar than ever before, and there were significant industry moves to unify advertising across both. According to a joint FreeWheel and Advertiser Perceptions study, media buyers are combining budgets and organizations, with 52% saying that the buying of linear TV and digital video is now combined, and 91% saying it will be by 2021. Concurrently, publishers and operators are enabling more converged sales options. As part of the 2018 U.S. Upfronts, NBCUniversal rolled out CFlight, a new ‘unified advertising metric’ that measures viewership regardless of when or where consumption occurred. These steps are helping to ensure advertisers can reach engaged audiences at scale, no matter where they are watching.

Throughout the year, audiences and advertisers in the U.S. and Europe confirmed that premium video is increasing in popularity and importance. Full year 2018 ad views grew by 27% and 15% in the U.S. and in Europe respectively, continuing multi-year trends. Premium video has matured as a medium and now mirrors many of the attributes of linear TV, allowing advertisers to connect with audiences in their most engaged moments. Insights from the Video Marketplace Report highlighted the following U.S. trends throughout 2018.

**Advertisers shared live moments with audiences**

Live content on premium video comprised more than one-third of total ad views in 2018, growing 86% over 2017. Record numbers of consumers watched tentpole sporting events like the PyeongChang 2018 Winter Olympics, the FIFA World Cup, and Super Bowl LII, on digital platforms. For example, NBC Sports digital coverage of the Winter Games set a new record, with 2.17B total streaming minutes and an 11% lift over its linear-only audience. This demonstrates that as publishers and operators have made strides in their abilities to deliver live content through premium video, consumer and advertiser confidence in the medium has increased.

**Both primetime and anytime**

For the first time, the Video Marketplace Report looked at premium video daypart viewing. The pattern across devices is similar to linear TV, with primetime viewing between 8 p.m. and 11 p.m. representing 23% of all ad views. In addition, desktop ad views reveal a midday peak almost as high as primetime, and smartphones have a ‘commutertime’ with ad views increasing during the morning hours of 6 a.m. and 9 a.m.

**Lean-back viewing on Connected TV**

Consumers are increasingly accessing content on the television screen, which is valued by audiences and advertisers for its immersive viewing environment. Connected TV ad views for full year 2018 grew by 53% and accounted for 40% of total ad views. As targeting and measurement capabilities expand in 2019, these environments will become even more valuable.
FULL YEAR 2018 PREMIUM VIDEO CONVERGENCE TRENDS

86% growth in premium video live ad views in 2018

23% of premium video ad views occur in the key 8 p.m.–11 p.m. daypart

53% growth in connected TV ad views in 2018

VIEW FROM THE BUY SIDE

DIGITAL VIDEO & LINEAR TV BUYING

52% of advertisers and agencies combine the buying of digital video and linear TV

91% say they will by 2021

INTEGRATION OF TV/ DIGITAL VIDEO SOLUTIONS

74% of advertisers and agencies say it is important or extremely important to have integrated TV and digital video data and technology
In 2019, advertisers, publishers and operators will build out tech stacks and partnerships that allow the overlay of first- and third-party consumer data with anonymized household/device level data. This will enhance targeting and measurement capabilities across both premium video and linear TV, cementing their convergence. In particular, look for the following trends.

**Advanced audience and addressable buying scale**

There are over 50 million OTT households in the U.S. and approximately 64 million addressable TV households across the largest MVPDs, creating a significant opportunity to deliver advertising to specific audiences beyond age and gender, or even to individual households. This will increase both the effectiveness (bespoke targeting) and efficiency (waste reduction) of advertising. Willingness from both advertisers and publishers to move beyond the traditional GRP currency is an important enabler to unlock these benefits.

**Advertisers follow customers across screens**

Linear TV is now supplemented by multi-screen premium video viewing, and advertisers are engaging with consumers wherever they are watching. Premium video drives incremental reach for advertisers beyond their linear TV buys, and cross-device mapping solutions will facilitate the extension of reach in a de-duplicated manner. Viewers are also increasingly comfortable making use of two screens concurrently, with eMarketer estimating 185 million people use a second screen to browse the internet while watching TV. The same cross-device technology will enable advertisers to better attribute TV ad spend to consumer outcomes.

In the following pages, the Video Marketplace Report looks back at 2018 and highlights the events and data points that demonstrate the strong growth of premium video and its continued convergence with linear TV.

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Premium video drives incremental reach for advertisers beyond their linear TV buys, and cross-device mapping solutions will facilitate the extension of reach in a de-duplicated manner.
The Olympic Games exemplified the growing role non-linear delivery methods play in live sporting events. NBC’s total audience (linear and digital) uplift of 11% over its linear only audience was indicative of viewing behavior observed throughout other tentpole events.

FEBRUARY 2018
THE PYEONGCHANG WINTER OLYMPICS
MARCH 2018
DATA PRIVACY COMES INTO FOCUS
Facebook lost approximately 20% of its market capitalization in the wake of the Cambridge Analytica scandal, in which the information of an estimated 87 million users was passed to a third-party without consent. This event highlighted the importance of user trust in the data-enabled future of marketing.

MAY 2018
ADVERTISERS OFFERED UNIFIED BUYING AT THE 2018 U.S. UPFRONTS
Publishers pitched fewer commercials, better measurement capabilities and brand safety to compete with digital display advertising. Companies like Turner and NBCU looked to showcase the progress they had made in cross-screen content delivery and measurement to facilitate unified buying.

MAY 2018
GDPR COMES INTO EFFECT
E.U. regulations seven years in the making finally went into effect. The legislation was aimed at ensuring companies handle personal data appropriately. This has had important implications for how advertisers and publishers manage data used for targeted advertising.

JUNE 2018
THE FIFA WORLD CUP
Soccer fans flocked to stream matches of this marquee sporting event given the early start times. The Fox Sports app became the 3rd most downloaded iPhone app as the tournament began, having previously been outside the top 1000.
JUNE 2018
TV AND VIDEO DOMINATE AT CANNES LIONS

TV and digital video were the most popular mediums for entrants, at 22% and 14% respectively\(^2\). The takeaway was that video in any format is key to delivering emotional and impactful messages.

AUGUST 2018
PUBLISHERS PARTNER TO BRING ADVANCED AUDIENCES TO LINEAR TV

In a move symbolizing the industry's focus on data-enabling linear TV, Fox agreed to license Viacom software to power audience optimization\(^8\). The Vantage offering seeks to bring data targeting to linear TV through matching custom audience definitions and TV-viewing data.

JUNE – DECEMBER 2018
SUPPLY-SIDE M&A ACTIVITY PROMISES SCALE OF INVENTORY FOR ADVERTISERS

Merger and acquisition activity announced in 2018 will fundamentally impact supply-side dynamics. Aggregation of premium video will help advertisers looking to reach targeted audiences at scale, as well as drive the value proposition of new streaming services.

- AT&T received approval on its acquisition of Time Warner (June 2018)
- Comcast announced acquisition of Sky (September 2018)
- The Walt Disney Company announced a definitive agreement to acquire 21st Century Fox (December 2018)
2018

CORE OBSERVATIONS

Comprehensive Premium Video Data With Year-End Insights
For the full-year 2018, video views grew by 25% and ad views grew by 27%, continuing a multi-year upward trend. Full-episode content remains the most widely-viewed segment, particularly in the fall viewing season, and constituted 61% of ad views in Q4 2018. 95% of these ad views occurred on entertainment content. Streaming services in particular used original content to entice subscribers, and the unprecedented levels of investment look set to continue. Netflix alone invested an estimated $13 billion. However, licensed content on Netflix, including “Breaking Bad,” “Friends,” and “The Office,” remained the most popular, suggesting there is lasting value in premium content.

Despite the continued dominance of full-episode content, live was the biggest driver of growth, increasing 51% year-over-year in Q4 2018. Sports content accounted for 57% of total live ad views, dominating the format, but there was also significant growth in news and entertainment ad views (46% and 102% respectively). A halo effect from viewers streaming second quarter tentpole events, such as the Winter Olympics, likely supported the persistence of live viewing throughout the year. There has been a fundamental scaling of the format as technology matures and viewer adoption accelerates. In Q4, clips constituted 10% of ad views, with many content owners choosing to limit ad exposure.
In 2018, live was the biggest driver of growth.
This quarter, the Video Marketplace Report analyzed device viewership patterns across different dayparts. Premium video viewing follows similar time patterns to linear TV, indicating audiences are shifting screens and not viewing habits. However, there are some key insights that can help inform buyer strategy:

1. **Connected TV volumes surge at primetime** – The big screen dominates the premium video viewing experience in the key 8 p.m. to 11 p.m. daypart, when audiences are ‘leaning-back’ in their living rooms. 23% of Connected TV and set-top-box video on demand (STB VOD) ad views occur in this 3 hour period.

2. **Desktop over-indexes during the day** – Desktop viewing displays a midday peak almost as high as evening primetime. (18% of total ad views are delivered between 12 p.m. and 3 p.m.). Despite the overall decline of this device format, it still captures significant daytime viewing share. The ease of click-through may make this an interesting format for marketers looking to drive direct response outcomes.

3. **Mobile has both primetime and ‘commutertime’** – Smartphones are the device of choice during the morning hours of 6 a.m. to 9 a.m. Marketers can use this format to engage with viewers on the go.

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**CHART 3**

**SHARE OF AD VIEWS BY TIME OF DAY, PER DEVICE**

Q4 2018

- **Smartphone**
- **Desktop**
- **Connected TV**
- **STB VOD**

The big screen dominates the premium video viewing experience in the key 8 p.m. to 11 p.m. daypart.
In 2018, Connected TVs and smartphones emerged as the fastest-growing devices, with ad view growth rates of 45% and 43%, respectively. Premium video remains multi-screen, but as of Q4 2018, Connected TVs and STB VOD (the big screen) together comprised 58% of the market. For advertisers, this is an opportunity to take advantage of an engaging, lean-back viewing environment—at greater scale than ever before. As Connected TV and STB inventory expands, the supply-side is working to enhance measurement for advertisers. For example, in June 2018 Nielsen and FreeWheel announced they would work together to expand measurement capabilities in Connected TV and STB VOD environments.

Smartphones and desktops remained the most versatile devices with a relatively even split of ad views between clips, full-episodes and live formats, allowing viewers to access content out-of-home, while affording advertisers strong targeting and measurement capabilities. For these reasons, smartphones and desktops may be particularly useful for lower marketing funnel outcomes, such as driving purchase.

**TO ALIGN WITH INDUSTRY DEFINITIONS, WE HAVE REPLACED THE TERM “OTT DEVICES” WITH CONNECTED TV.** The IAB describes Connected TV as, “A television set that is connected to the Internet via OTT devices, Blu-ray players, streaming box or stick, and gaming consoles, or has built-in internet capabilities (i.e., a Smart TV) and is able to access a variety of long-form and short-form web-based content.”
Premium video remains multi-screen, but as of Q4 2018, Connected TVs and STB VOD (the big screen) together comprised 58% of the market.
CHART 5
FORMAT COMPOSITION BY DEVICE, AD VIEWS, U.S.
Q4 2018

- Desktop
  - CLIPS (0-5MIN.) 32%
  - FULL-EPISODES (5+ MIN.) 43%
  - LIVE 25%

- Connected TV
  - CLIPS (0-5MIN.) 3%
  - FULL-EPISODES (5+ MIN.) 59%
  - LIVE 38%

- STB VOD
  - CLIPS (0-5MIN.)
  - FULL-EPISODES (5+ MIN.)
  - LIVE 100%

- Smartphone
  - CLIPS (0-5MIN.) 20%
  - FULL-EPISODES (5+ MIN.) 47%
  - LIVE 33%

- Tablet
  - CLIPS (0-5MIN.) 10%
  - FULL-EPISODES (5+ MIN.) 56%
  - LIVE 34%
Smartphones may be particularly useful for lower marketing funnel outcomes, such as driving purchase.
STREAMING SERVICES DRIVE CONTINUED GROWTH

In 2018, premium video ad views on syndicated platforms stood at 45%. While owned and operated (O&O) properties retained a greater ad share at the end of the year, syndicated platforms are growing faster (21% vs. 18% year-over-year) and will likely overtake O&O ad views in 2019. The biggest growth factor is user access via MVPD platforms, which saw ad view growth of 66% in Q4 2018. In particular, virtual MVPDs (vMVPDs), including Sling, Fubo and Sony Playstation VUE, are growing rapidly. Hulu, which acts as both a vMVPD and aggregator portal, finished the year with over 25 million subscribers, an increase of 8 million over 2017, demonstrating the power of having exclusive access to library content12.

The trend in growth of streaming services is set to continue in 2019 with a plethora of new services slated to come out from the likes of Disney, Apple and Warner Media.
Premium video is popular with advertisers across industries, with entertainment and media, retail, consumer packaged goods, financial and business services, and auto accounting for 75% of the total views in Q4 2018. A large percentage of ads served were for high value or sticky products from industries such as auto and financial services, suggesting that advertisers in these categories valued the outcomes that premium video can readily deliver.

Advertisers clearly view premium video as a valuable tool for reaching and engaging their audiences, with demand increasing across all genres, formats and devices. At the 2018 U.S. Upfronts publishers touted both their linear and digital capabilities, and the convergence between the two. For example, NBCUniversal showcased their cross-platform viewing metric CFlight, which they subsequently cited as having played a significant role their Upfronts success\(^{13}\). Expect more of this as we move towards the 2019 U.S. Upfronts.
Advertisers and agencies still favor direct deals, which accounted for 87% of total ad views in Q4 2018. Programmatic transactions accounted for just 13% of ad views, but grew 58%, a notable lift over Q4 2017.

Often, deals that are executed automatically are still negotiated directly between two parties. Both the buy- and sell-side recognize the potential for programmatic, especially as the industry’s ability to use data for targeting and measurement increases. Programmatic can enhance the speed and efficiency of buying and execution and allows advertisers to map their goals to the optimal audience and inventory.

More broadly, technology that enables self-service access to both linear TV and premium video inventory holds the potential to extend the advertiser pool to small and medium size enterprises that have traditionally been locked out of TV.
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Premium video continued to deliver high ad completion, with rates of 80-90% across content formats for both pre- and mid-roll. In Q4 2018, the average ad load for a mid-roll was 3.9 ads per break. Smartphones had slightly lower ad loads suggesting some publishers have a differentiated strategy for these ‘on-the-go’ devices. Ad durations trended down in 2018, with the average mid-roll lasting 99 seconds, down from 114 seconds in Q4 2017. While some big players like NBCUniversal, Fox and Hulu have mentioned further reductions across their portfolios, for premium video these are likely to be incremental and not fundamentally different from today.

The repetition rate of mid-roll ads on full episodes remains low, with only 12% of creatives repeating once or more in a full-episode stream. This demonstrates the growing diversity of advertisers and ads in the marketplace, as well as better frequency management by publishers.
**CHART 10**

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

Q4 2018

[Click to Tweet]

- FULL-EPISODES (5+ MINUTES)
- LIVE
- CLIPS (0-5MIN)

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<td>Mid-Roll</td>
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**CHART 11**

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

Q4 2018

[Click to Tweet]

- Full-Episode
- Live

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<th>2+ Repetitions</th>
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<td>Full-Episode</td>
<td>88%</td>
<td>66%</td>
<td>18%</td>
</tr>
<tr>
<td>Live</td>
<td>16%</td>
<td>10%</td>
<td>2%</td>
</tr>
</tbody>
</table>
Q4 2018

CORE OBSERVATIONS: EUROPE

Premium Video Continues to Scale in Europe
EUROPEAN PREMIUM VIDEO REMAINS STRONG IN A CHALLENGING MARKET

ADVERTISERS CONTINUED TO SHOW CONFIDENCE IN PREMIUM VIDEO as ad views grew across Europe, ending 2018 22% higher than 2017. In Q4 2018, ad views were up 15% while video views were down 19%, driven by post-GDPR content delivery restriction by U.S. publishers.

Live ad views more than doubled year-over-year, as publishers enabled more content, and now represent 6% of all premium video ad views. Dynamic ad insertion into live, represents a significant opportunity for advertisers, both old and new to TV, as it enables more sophisticated use of the linear ad schedule. Multiple different ads can be delivered into the same primetime slot to better meet campaign delivery goals.

Over the course of the year, we observed a few key trends:

Collaboration and consolidation drives the industry forward
Media companies within the region demonstrated a willingness to work together to improve the quality of offerings for brands in terms of scale and technical capabilities. These partnerships help media companies compete with streaming services that continue to grow quickly in Europe and divert eyeballs from commercial airtime. There is also a clear opportunity for an ad supported OTT platform in Europe to replicate the success of the model in the U.S. Examples include France’s three major television networks creating a joint OTT platform called SALTO, and ProSiebenSat.1 and Discovery partnering to create a German OTT platform. There was also major mergers and acquisitions activity as Comcast acquired the British broadcaster Sky.

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Publishers pool inventory

2018 saw publishers pool inventory to drive scale and reach for advertisers. An example was RTL Netherlands’ purchase of Branddeli, the sales house for the Discovery, Fox and Viacom brand portfolio, in December 2018. The European Broadcasters Exchange is an example of a pan-European alliance, offering scale and improving efficiency through a single point of access for media buyers.

In the wake of GDPR, U.S. publishers limit distribution in Europe

The premium video market grew steadily in 2018, but Europe did feel the effects of GDPR. In an effort to protect themselves from legal risk, some U.S. publishers limited distribution in Europe16. This caution was warranted, as failure to comply can cost publishers up to €20 million, or 4% of the worldwide annual revenue of the prior financial year—whichever is higher17. Google learnt this the hard way, as the French data regulator CNIL fined the digital giant 50 million euros (£44m) for not complying with data privacy regulations18. European-based publishers and operators were more able to continue with business as usual, having invested greater resources in GDPR preparation. Overall, the impact of GDPR, at least on premium video, appears to be less dramatic than many feared.

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Ad Views ended 2018 with double digit growth, continuing the strong growth story of previous years.
Publishers continue to accelerate monetization of live inventory, with ad views more than doubling this quarter. However, ad views on live premium video within Europe are still not at the scale seen in the U.S. and is unlikely to unless measurement capabilities extend to the big screen. Full-episode programming continues to dominate with 85% share of ad views and a growth of 16%. Clip content is up marginally as digital pure plays reduce their reliance on shorter content, while clips’ share of total ad views is down by three percentage points.

New data on the European market shows that sports dominated live viewing, accounting for 55% of total ad views. Sports rights are fiercely battled over for this reason, as eyeballs will follow the best sports events.

Full-episodes and live content comprised 94% of total premium video ad views in 2018. In Q4, 99% of full-episode ad views occurred during entertainment content.
This quarter, deep dive analysis on dayparting across Europe shows 10 p.m. is primetime for premium video in Europe. In the UK, early peak is between the hours of 5 p.m. and 8 p.m. while in France, 9 p.m. is classified as peak.

On-demand ad views comprise an 85% share of premium video, suggesting that video on demand is incremental to linear TV viewing, as viewing is taking place after traditional linear peaks within Europe. Isolating those ad views that are live, there are peaks at both 7pm and later again at 9 p.m. Drilling further and looking at Saturday alone, our data shows that primetime ad views peak at 7 p.m.

There are some interesting implications and takeaways for advertisers:

1. **Premium video** in Europe is incremental to linear and can be used to tap into new audiences.
2. **Desktop** is still an important medium for reach, and takes the top spot for weekday ad views between 8 a.m. and 10 p.m.
3. **Smartphone ad views increase** during the 5 a.m. to 9 a.m. “commuter period” forming a valuable on-the-go audience for advertisers.
4. **STB & Connected TV** ad views grow steadily throughout the day peaking at 9 p.m. This shows that consumers are continuing to choose the big screen to enjoy highly engaging premium content in the evening, from the comfort of their living rooms.
10pm is “primetime” for premium video. This is post the traditional linear peaks in Europe.
Advertisers are recognizing the ability of Connected TV and STB to engage audiences at scale. Both platforms continue to grow steadily, and by the year-end, they comprised a total market share of 40%, with above market growth of 29%.

Desktop remains the largest platform for premium video ad views overall at 29% and is particularly important throughout the daytime hours. Smartphone retained 20% share and continues to grow in line with the market at 15%. However, ad views on tablets were down 4% on the same period last year.

More live content has opened up across all platforms, with tablet and Connected TV driving 11% and 3% of live ad views respectively. This indicates that publishers are opening up more opportunities on primetime shows and that advances in technology are helping advertisers overcome concerns about server side ad insertion (SSAI) and latency.

**Distribution**

40% of ad views now on the big screen and growing

Advertisers are recognizing the ability of Connected TV and STB to engage audiences at scale. Both platforms continue to grow steadily, and by the year-end, they comprised a total market share of 40%, with above market growth of 29%.

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**Chart 17**

Ad View Composition and Growth, by Device, Europe

Q4 2014 — Q4 2018

To align with industry definitions, we have replaced the term “OTT devices” with Connected TV. The IAB describes Connected TV as, “A television set that is connected to the Internet via OTT devices, Blu-ray players, streaming box or stick, and gaming consoles, or has built-in internet capabilities (i.e., a Smart TV) and is able to access a variety of long-form and short-form web-based content.”
In keeping with a trend observed in 2017, viewers watched the most premium video on the big screen.
PUBLISHERS EMBRACE SYNDICATION AS A TOOL FOR GROWING THEIR AUDIENCE AND MAXIMIZING ROI

Syndicated ad views grew 25% in Q4 2018 and ended the year with a 20% share. This growth is fueled by increased operator syndication, up 30% year-over-year, as publishers continue to distribute content through OTT platforms as a means to grow audiences. Operators in turn are keen to gain control of the most attractive content, for example sports and high impact drama, to grow and retain their own audience base.

However, unlike the U.S., owned and operated looks like it will continue to dominate the European premium video market for the foreseeable future, despite the growth in syndication. Within Europe there is lower penetration of operator IP platforms that are present in the U.S. (such as Sling, Fubo and Hulu), as publishers are protective of their premium content and also consumer end points. Sky this year integrated Netflix within its Electronic Program Guide, creating the UK’s largest on demand library.

Furthermore, content distribution via aggregators and long-tail sites retracted 23% over the same period as publishers continue to regulate where their premium content appears. Aggregators continue to hit the headlines raising concerns over brand safety for content providers and advertisers.
The strong growth of ad views in Europe shows that advertisers are tuned in to the power of premium video advertising. Additional analysis this quarter shows that within Europe, the top 5 advertising categories accounted for 77% of ad views in Q4 2018. The largest category within premium video is FMCG (Fast Moving Consumer Goods) with almost 30% of all ad views. It is promising to note that this category contains 4 out of the top 5 advertisers in the world. Furthermore, the top categories for premium video in Europe closely mirror the top categories of advertising spend globally, evidence that premium video is a key component of many media plans.

As advertisers take stock of the results that premium video can deliver, publishers are recognizing the need for improved automation to cope with demand. Therefore, programmatic continues to grow at 17% year-over-year. The overall volume of deals has grown significantly for both programmatic and direct, but direct sold has scaled quicker and increased its...
overall share of transactions. As commented on in the FWCE21 Programmatic paper, *Cracking the Programmatic Conundrum*, released in February 2019, direct sold is favored as publishers value the security of upfront deals to maintain the value of their inventory. Marketers also value the guarantees that come with making a deal directly, but appear increasingly interested in the executional efficiencies programmatic can afford.

Around 2% of programmatic deals are taking place via exchanges. This quarter, open exchange transactions have more than doubled and now represent 39% of all exchange transactions. Private marketplace transactions increased 65% over the last year, and now account for 61% of transactions.

Private marketplaces can also allow for advertisers to target their audiences by mapping their first-party data to publisher inventory. However, the complexity of endpoints, regulations and legacy sales models act as a moderating factor in the growth of open exchange transactions and programmatic overall.

Programmatic continues to grow, up 17% year-over year.
CHART 21
SHARE AND GROWTH OF AD VIEWS BY PROGRAMMATIC MONETIZATION, EUROPE
Q4 2018

SHARE OF DEAL TYPE
- Direct: 87% (+13% YoY)
- Programmatic: 13% (+17% YoY)
- Exchange Transactions: 2%

SHARE OF TRANSACTION MODEL
- Open Exchange: 39%
- Private Exchange: 61%
Premium video continues to provide an engaging experience for viewers.
Advertisers look to leave a lasting impression on consumers and premium video proves to be one of the most effective media to do this. Ad completion rates, a barometer for engagement, remain high, at 87% overall and 92% for the average live pre-roll break. In Q4, the average break duration was 111 seconds with 5 ads per mid-roll break. Publishers over the last year have been experimenting with ad loads as part of a conscious effort to preserve the user experience. Research from Yospace, a UK-based provider of SSAI technology reveals that reducing ad load can improve user engagement in the OTT space. Testament to this is that over half of all mid-roll breaks in premium video have less than 5 ads per mid-roll. Advancements in targeting make this inventory more valuable helping to offset the reduction in impression volumes.

Also, in keeping with a trend observed in the U.S., ad repetition rates were low, with 88% and 82% of full-length episode and live content respectively, containing no repeated ads in Q4. Content in live ads may be repeated more frequently, in part because of the nature of sponsorship deals.
In Q4 2018, the average ad duration is 111 seconds and almost 5 adverts per mid-roll break.
Publishers over the last year have been experimenting with ad loads as part of a conscious effort to preserve the viewer experience.
In the eyes of many viewers, premium digital video and TV are now one and the same. “Watching TV” can be tuning into a program on linear TV, streaming a favorite series on a Connected TV, or following a live sporting event on a smartphone. This convergence will be solidified for marketers in 2019 as the industry makes progress in its ability to target and measure precise audiences at scale, across screens big and small. What is indisputable though, is the place premium video has earned at the center of the viewing experience, and the unique value it brings to both advertisers and publishers.
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Special thanks to: Xu Yao, Esra Akturk, Abraham Martinez, and Arnaud Stebe
Glossary

**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.

**AVOD** - Advertising video on demand business model.

**Connected TV (CTV)** - A television set that is connected to the Internet via OTT devices, Blu-ray players, streaming box or stick, and gaming consoles, or has built-in internet capabilities (i.e., a Smart TV) and is able to access a variety of long-form and short-form web-based content.

**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, Sky Germany 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. This can be programmers or digital pure-plays.

**Server Side Ad Insertion (SSAI)** - Technology that enables the stitching together of video and ad content prior to delivery to the player.

**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 (vMVPD)** - Digital-only cable alternatives that offer access to both live and on demand premium video content for a subscription fee.
THE FREEWHEEL VIDEO MARKETPLACE REPORT highlights ways in which advertisers, publishers and distributors are using premium video content to drive advertising outcomes.

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