COUNCIL FOR
PREMIUM VIDEO

THE UNRIVALED VALUE OF PREMIUM VIDEO

A White Paper by the FreeWheel Council for Premium Video

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#PremiumVideo

Executive Summary

The complex, noisy world of digital advertising has become an increasingly challenging environment for brands to navigate. Growing numbers of advertisers are questioning whether they should be making the journey at all, contemplating reversing course and heading back to the familiar shores of traditional television. However, in stark contrast to the recent quality and transparency challenges often associated with some long-tail and exchange-purchased video, premium video represents a beacon of light that brands can rely on to safely find the audiences that will deliver the best outcomes.

Premium video publishers deliver valuable audiences at scale, in a high-quality, safe, and transparent context. Additionally, premium video significantly protects advertisers against risks inherent in lower-tier audience-only/audience-anywhere models, instead offering targetable and quantifiably real viewers across multiple screens.

The FreeWheel Council for Premium Video (FWC)

Founded in 2015, The FreeWheel Council for Premium Video (FWC) is an advocacy group, comprised of 30 members, including programmers, operators and digital pure-plays. The FWC serves the collective interest of those in the premium video industry through leadership positions, research, and advocacy promoting the premium video economy.

But where premium video truly demonstrates its differentiated value is in terms of delivering *engaged* audiences.

New data not only highlights that premium video is highly viewable, but also that the industry should be elevating the conversation to *engagement* instead of just focusing on metrics that are more necessary for lower-tier inventory. For example, a recent Moat-FreeWheel Council study shows an almost *38 percentage-point improvement* for premium video in a key engagement metric that measures if an ad was audible and visible upon completion—not just whether it was viewable for a couple of seconds.

In addition, premium video is experiencing the fastest growth across inherently viewable, fraud-free, advertiser-friendly environments such as over-the-top and set-top box video-on-demand. This type of viewing continues to solidify premium video's differentiation by fostering engagement with both the content and the advertising message in the same way as traditional television.

As Louis Paskalis, Senior Vice President and Enterprise Media Executive for Bank of America told us: "I'm able to look at specific interactions in premium video and see storytelling has a high double digit percentage increase in recall when we chapertize our messages over multiple engagements, which has led to an attractive lift in business outcomes over the course of six months or more."

But despite the clear and differentiated value of premium video, growth is being stymied by some bad actors and the inherent risks within certain transactional models. And the irony is that in an effort to apply the full set of controls from audience-only models to premium video, the entire ecosystem is held back—brands, programmers and viewers alike.

Buyers and sellers should be elevating the conversation for premium video beyond transactional proof of delivery against foundational metrics. Premium video measurement models should be relevant to the goals of the campaign and enable advertisers to understand the benefits of associating their brands with highly engaging content. This will result in more streamlined transactions, better business outcomes for advertisers, and growth of the entire ecosystem.

INTRODUCTION

Defining Premium Video

DEFINITION

Premium Video

Professionally produced content delivered via curated user experiences in a brand-safe context to highly engaged audiences.

Premium video is content that influences, shapes, and delivers on the expectations and imaginations of viewers through curated experiences. When advertisers align their campaigns with premium video, the positive experiences that audiences have with that content fuel positive brand associations—users are more engaged overall, receptive to both the content and its advertisements.

“We are now really prioritizing premium video, and it’s not a pricing decision,” said Louis Paskalis, Senior Vice President and Enterprise Media Executive for Bank of America. “It’s not a return-on-sale decision. It’s actually, in our lexicon, a return-on-relationship decision, which is an amalgam of internal considerations that really look at brand relevancy, brand saliency, and ultimately those impacts on business outcomes.”

Brand relevancy, engagement, and business outcomes.

Premium video is brand-safe, in that the content itself is highly curated and featured in high-quality, sought-after environments, complementary to major brands and their values. The right context and the right user experience are critical to delivering engaged audiences that drive optimal business outcomes. Premium video’s quality lies in its production value as well as an immersive video experience: think standalone full-screen video player or 50 inch TV set.

“To me it’s about positioning the premium portion of the business, which is all about the right context and the right user experience,” says R. Lee Barstow, Vice President of Digital Ad Operations & Solutions at A+E Networks. “The content itself has to be professionally produced,” Mr. Barstow says. “The video itself has to be a large size, in terms of the screen; it has to be a fully immersive experience. It needs to be of high quality—audio and video—and it has to work seamlessly across all screens. For me the positioning of premium video is really about these things in the context of the consumer experience.”

We therefore define premium video as professionally produced content, delivered via curated user experiences in a brand-safe context to highly engaged audiences. Advertisers tell us that they turn to premium video for quality and engagement. As the industry fully realizes the value of premium video, advertiser metrics will show increasingly successful results and reveal better business outcomes. Premium video adds confidence to the campaign equation.

Impediments to Growth and Delivering True Value

There are, however, challenges the ecosystem must still address to fully realize the value of premium video. These challenges are rooted in the experience that buyers have had over time in certain environments including some exchange-driven, audience-decoupled-from-context transaction models: opacity, non-human traffic, non-viewable impressions, and general questions over return on marketing objectives. The fallout from the exposure of bad behaviors in these environments has not just affected brand advertisers, but also premium video publishers. Approaches to mitigate against bad actors are often blanket-applied to environments where they are not always as necessary. This is not to say measurement and quality validation should not apply to premium video: it should, but it also should be fit-for-purpose, relevant for the screen and aim for transactional efficiency.

Two specific impediments to growth exist as an outcome of these approaches: a paradoxical avoidance of some of the most premium environments and a friction-saddled transaction process.

IMPEDIMENT 1:

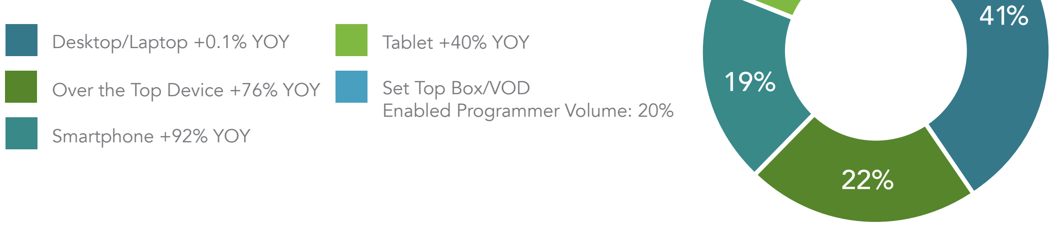
Paradoxical Avoidance of TV-Like Experiences

The majority of premium video viewing now comes from outside of desktop and laptop environments, representing 60% of video ad views, with over-the-top (OTT) devices and smartphones leading that advancement.

AD VIEWS

Device-Type Breakdown

Q4 2014-Q4 2015



SOURCE FreeWheel Video Monetization Report (Q4 2015)

The accelerated growth in OTT is a key trend to watch. A fifty-inch screen in a living room creates truly valuable marketing opportunities: this is an inherently advertiser-friendly scenario with human viewers proactively engaging with content in a lean-back environment.

The result is a greater affinity to, and level of engagement with that programming and its sponsors than in non-premium environments. The same logic applies for STB video-on-demand (VOD) where we expect to see considerable growth as broadcast and cable networks accelerate the use of dynamic ad insertion into the STB.

Despite the clear benefits of the living room environment, premium video providers are finding inherent challenges in selling through significant portions of this inventory due to tactical reasons, in some cases related to measurement and technology: demographics cannot always be verified, viewability and fraud cannot yet be fully measured across all screens and third-party ad serving is not always available. Yet we know intrinsically that this is some of the most premium digital video inventory available—people are watching this content in their living room on a TV, which is, by definition, highly viewable if they watched it, and through closed environment devices, mitigating against the issue of fraud.

We believe that the value of these audiences is such that buyers and sellers should develop a shared set of measurements and mechanisms, measured by mutually agreeable independent 3rd parties, thereby reducing some of the unnecessary transactional friction in these environments.

IMPEDIMENT 2:

Solving for Risk that does not Exist Leads to Overwhelming Complexity

Sales, planning, publishing and operations teams at premium video publishers (and their buy-side equivalents) today spend far too much time negotiating, executing, monitoring and optimizing against layers of technologies that seek to minimize risk. This makes sense for some environments but many of the current executions are out of balance when applied to the premium video economy. These executional challenges all too frequently delay campaign launches, drive up costs, and negatively impact the user experience due to resulting delivery challenges.

"You're three tags deep, five tags deep, into a wrapper and there's so much information going back and forth—it's really just crippling, creating complexity in the workflow and contributing to overall deprecation of quality control," says Mr. Barstow.

Given finite resources and mindshare, these distractions come at the cost of focusing on what matters most: maximizing user experience and brand outcomes. And furthermore, the overwhelming number of tags required on each campaign, if not using the right implementation and technology partners, could actually damage the user experience by causing player latency and crashes. The losers are all of us: the brand marketer, the premium publisher and the end consumer.

A Way Forward

"Viewership of TV content on new platforms is a growing opportunity, yet advertising budgets have not followed viewers there as quickly," says Pooja Midha, Senior Vice President, Digital Ad Sales and Operations, ABC. "To realize the full value of premium video, there are major measurement challenges that must be addressed. At the same time, as buyers and sellers we can also help by streamlining how we transact premium video. If we do this together, everyone wins. Creating a common understanding of those dynamics between both sides is the first step."

Mr. Barstow echoes Ms. Midha's sentiment suggesting that working together with an industry body to develop consensus-based standards should have a very positive impact on premium video: "If we can get to a place where we have some standards, and we can agree on those… and embrace that all the way through the ecosystem…we'll be in a much better place."

In other words, the ecosystem should be elevating the premium video conversation beyond transactional proof of delivery metrics. In the following sections, we seek to prove that this is the case.

Fraud: An Unnecessary Distraction for Premium

Methodology

In the joint study, Moat and the FWC considered one data set consisting of only FreeWheel clients—an all-premium subset of publishers—and then compared that subset to Moat's full client spectrum, representing a mix of premium and non-premium video. The data represented only owned and operated (i.e. non-third-party) desktop viewing environments for Q4 2015.

For publishers and advertisers, premium video audiences represent real human viewers who stay with content longer, interact with it in quantifiable ways, and who play a crucial role in establishing the value of premium video. Publishers are striving to keep that audience coming back for more.

A recent Association of National Advertisers/White Ops study shows that 23% of video ad impressions are bot-driven; meanwhile, publishers buying third party sourced traffic report bot-fraud rates of 52%.[i] However, when the FWC conducted a recent study with Moat, the independent marketing analytics and intelligence firm, it found that non-human traffic within premium video on desktop was nearly non-existent, with 98.9% of traffic registering as real, valuable audiences.[ii] This is not to mention the inherently fraud-free baseline we can attribute to OTT and STB VOD.

A number of reasons exist for these results: premium video providers are in the business of delivering high-quality content under prestigious media and entertainment brands that deliver real viewers across brand-safe distribution channels. Said another way, these are professionally operated publishers who distribute TV-grade content, acquire only safe audiences, and invoke sophisticated and ongoing measures to detect and block fraudulent traffic.

"We hold ourselves to a [very] high standard to make sure we create the highest quality content environments for our clients," said John Alleva, Senior Vice President, Digital Planning and Monetization at NBCUniversal. "I'm talking about professionally produced, viewable full-episode and short-form video content of our portfolio that reaches real people. Today, with all the fraud that is out there, it's an important distinction."

We can say with confidence then, that real human audiences are watching premium video. The next consideration then becomes driving *engaged* humans.

Lots of Inventory is Viewable, but Only Premium Delivers Engagement

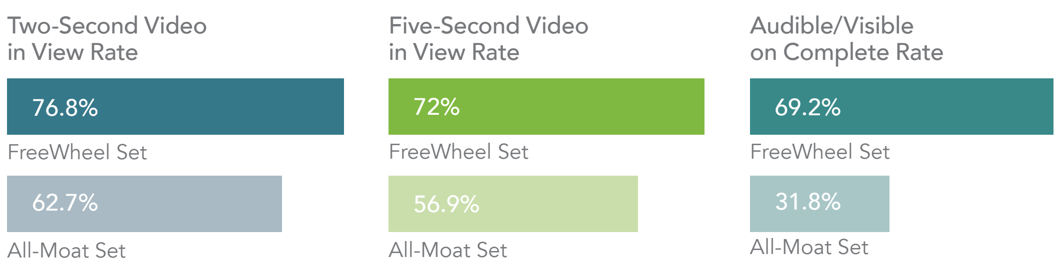
We consider the basic MRC viewability standard as an important box to check on the way towards a more meaningful conversation around engagement. As we have been arguing, premium video delivers engaged viewers in ways that non-premium cannot even closely approximate.

The proof is in the numbers.

IN-VIEW RATES

Premium Video

2016



SOURCE Moat/FWC Data Analysis (2016)

The FWC-Moat study demonstrates the obvious point: premium publishers meet the basic viewability standard (50% for 2 seconds) and the IAB viewability threshold (70% of measured impressions meet the standard). We expect these metrics to continue to improve among the premium video publishers as they further optimize user experience on existing screens.

As we would similarly expect, premium video outperforms the total universe significantly, by almost 15 percentage points (77% vs. 63%). Other published studies show even lower baseline performance of 25-50%.[v]

But the MRC viewable requirement is, in our view, not fully addressing what really matters to brands: how engaged are users with the content and therefore the advertising?

This is where premium video truly stands out.

In our study, we used Moat's proprietary "Audible and Visible on Complete" (AVOC) metric as a proxy for engagement. The metric measures the percentage of measurable impressions where the ad played to completion and was both visible on-screen and audible on complete.

The superiority of considering engagement instead of simple viewability is illustrated by an example: a viewer who watches the first two seconds of an ad and then scrolls down the page would trigger a viewable event but might not be considered by some to be an engaged viewer. A viewer who watches the entire ad with the sound on, we believe, should be considered significantly more engaged—and therefore significantly more valuable to advertisers—than the first.

The FWC-Moat study demonstrates a yawning gap in engagement when AVOC is measured.

Almost 70% of ads delivered in premium environments are both viewable for 2 seconds and in-view and audible on complete, whereas only 32% of impressions achieve that metric in the Moat universe.

The data speaks to the core of premium video's value: deeply engaged audiences, completion quality far and above beyond the levels of the average publisher.

And returning to the definition of premium video, an important part of the value proposition is context and user experience, which drives the engagement performance above.

So what does all of this data tell us? Premium video meets and exceeds established industry standards that have been set to combat the bad behavior and lower-quality inventory that lives in the mid- and long-tail. And far beyond that, we are talking about delivering highly engaged audiences—viewers who are hitting play and watching ads through to completion because they have specifically chosen to watch compelling content in an immersive experience.

CONCLUSION

Value and Efficiency, Focus and Collaboration

Real human, engaged audiences at scale; brand-safe; viewable content; dynamic results—premium video is all these things. While non-premium publishers and advertisers continue to grapple with verification issues, much of the value of premium video lies in its insulation from many of these concerns.

Metrics tell us that premium video rises above the fraud challenge that plagues other digital inventory. Metrics tell us that viewability rates are solid, and common sense tells us that viewability is inherently assured on certain screens. The time has come to tell the next most significant part of premium's story: premium video audiences are extremely engaged viewers.

The completion quality data proves it. Viewers of premium video are in the ideal mindset for advertisers to create positive associations by placing smart, well-made advertising messages in the context of high-quality, professionally produced content. The alignment of advertising brands within engaging viewing experiences, combined with the power of data ensures the right message is delivered to the right viewer at the right time.

As premium video delivers the TV-grade context and environments that today's variety of platforms represents, there is an opportunity for advertisers to do more with them. We have been distracted by concerns with certain inventory sources, which in our opinion have prevented improvements to advertiser ROI as well as user experience. We've been focused on point metrics around delivery instead of engagement metrics and maximizing business outcomes. We are not making the most of truly fraudless, highly viewable, and maximally engaging environments like OTT & STB VOD.

This in turn has led to failure in delivering advertising messages to massive and growing audiences of young, enthusiastic and engaged viewers, who are accessing quality content on a variety of screens that mirror the linear TV experience.

As we focus on engagement and utilize the platforms that best deliver on that opportunity, the industry also must not lose sight of the fragmentation of viewership across device types. Year over year, viewers are paying more and more attention to multiple screens. Due to the nature of the content and established distribution channels, premium video providers can re-aggregate those audiences, capturing their imaginations and connecting them with advertisers to drive positive outcomes *at scale*.

The time is upon us for the industry to come together around premium video, to agree that it is the benchmark. Tactical and technical issues represent longstanding and in some cases, unsolvable problems for non-premium players. Premium publishers and advertisers don't have to share that fate—they can work with each other in newly streamlined ways, developing on the efficiencies afforded by the insulated nature of premium.

Establishing a common ground over these transactional efficiencies is the ultimate goal. The premium video industry needs to be held accountable to brand marketers via the utilization of measurement models that are fit-for-purpose, relevant for the screen and streamlined for the operational burdens on both sides.

A good place to start will be the recognition that not all video is created equal, and that premium video's differentiation demands that it be considered as a distinct and unique media channel.

When the industry sets this precedent, the future of premium video will see that the most valuable and engaged audiences drive the most valuable experiences and returns for advertisers.

This is the promise of the unrivaled value of premium video.

ENDNOTES

[i] *"ANA/White Ops Study Reveals Extent of Advertising Bot Fraud,"* ANA (December 9, 2014). Retrieved at http://www.ana.net/content/show/id/32948

[ii] FWC/Moat Premium Video Engagement Study, March 2016

[iii] Marvin, Ginny. *"New Study Backs Up IAB's 70 Percent Viewability Threshold Recommendation,"* Marketing Land (April 2, 2015). Retrieved at http://marketingland.com/new-study-backs-up-iabs-70-percent-viewability-threshold-recommendation-123788

[iv] Roggio, Armando. *"3 More Tips for Better Ecommerce Video Results,"* PracticalEcommerce (May 13, 2015). Retrieved at http://www.practicalecommerce.com/articles/87985-3-More-Tips-for-Better-Ecommerce-Video-Results

[v] Integral Ad Science. *"Media Quality Report Q4 2015"*

Coming next from the FWC

In a forthcoming white paper, the FreeWheel Council for Premium Video will examine the state and future of 'programmatic for premium', including strategic approaches to utilizing programmatic technology that can reinforce the efficiencies publishers and advertisers want to enjoy—all the while ensuring the safety, control and transparency that the industry must continue to demand.

As Ed Gold from State Farm told us: "There is definitely a huge benefit to [premium and premium programmatic] from my standpoint. Because I could then use all the data that I own and have, providing the right ad to customers, or non-customers, or people who just had a baby, or people who just bought a home. I could better target people with my advertising... certainly making premium online video even that much more important to me."

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The FreeWheel Council for Premium Video (FWC) serves the interest of those in the premium video industry through leadership positions, research and advocacy to promote the premium video economy. The FWC operates as an educational and organizing resource to assist marketers to reach desired audiences in premium video environments, conduct research documenting the benefits of premium video and represent the interests of member publishers and the market. The FWC is comprised of today's leading premium video publishers including ABC, A+E Networks, Comcast, Discovery Communications, ESPN, Fox, NBCUniversal, Turner Broadcasting System and Univision Communications. For more information on the Council for Premium Video please visit www.FreeWheel.tv/fwcouncil and follow us on Twitter @fwcouncil.

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