IDC VENDOR SPOTLIGHT

Benefits of Working with a Video Specialist in TV and Video Advertising

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As consumer habits rapidly change from watching only TV to watching TV and video, brand advertisers are looking to programmatic platforms to help them reach their strategic audiences across all screens in an integrated fashion. At the same time, brand advertisers want to apply the advantages of digital advertising to linear TV — more data, more precise targeting, improved effectiveness, and the promise of increased return on advertising spend (ROAS). But the big question these advertisers are facing is: Can programmatic platforms support their unique brand advertising needs? This IDC Vendor Spotlight explores the potential upsides of programmatic platforms, which have been designed from the ground up to support the needs of brand advertising campaigns across the inventory-constrained worlds of traditional TV and digital video, as opposed to platforms that have their programmatic roots in display advertising protocols. The document also looks at Videology’s unique approach to the challenges presented in the evolving programmatic segment.

Introduction: The Merging Worlds of Digital Video and Traditional TV

The way consumers in the United States are viewing video content has begun to change in profound ways. They are branching out from traditional TV to incorporate digital channels into their viewing habits, and within digital, they are rapidly embracing mobile video. Data confirms this viewing shift. IDC’s latest pay TV subscriber estimates show that in 2016, 23% of all households in the United States did not subscribe to pay TV (cable, satellite, telco TV). IDC expects that number to climb to 29% by 2020 (see Figure 1).
Share of U.S. Households Without Cable, Satellite, or Telco TV Subscription, 2012-2020

The total percentage of time that U.S consumers spent watching video on TV declined from 93% in 2014 to 89% in 2016. During that same period, the total percentage of time that U.S consumers spent watching video on digital channels rose from 7% to 12%. Further, within digital video, viewers are migrating from the PC to mobile devices. From 2014 to 2016, the number of users watching video on PCs declined from 151 million to 124 million, while the number of viewers on smartphones grew from 103 million to 153 million (Nielsen first-quarter numbers).

Increasingly, what was once a TV-only media world is now a world in which consumers receive video content not only through traditional TV channels but also via "over the top" (OTT) channels (i.e., via the Internet) across a wide variety of connected devices: TV sets, PCs, smartphones, and media tablets. The very definition of "television" has begun to change: When one watches a TV show on a digital device, is it video, or is it TV?

Advertisers cannot navigate the increasing complexity and fragmentation of the emerging modern media landscape without the help of technology. They are looking to programmatic platforms to solve three major challenges:

- How can they maintain audience reach so that they can continue to address consumers who spend time on video platforms rather than on linear TV?
- How can they leverage more precise, data-driven targeting across all screens, including traditional TV advertising?
- How can they address both the TV population and the video population in an integrated, consistent fashion to achieve greater effectiveness?

Programmatic technology has become a feasible tool to plan, execute, and measure TV and video campaigns. On the digital side, supply-side platforms (SSPs) connect publishers’ back ends with the digital ecosystem. In the world of traditional TV, multichannel video program distributors (i.e., cable, satellite, and telco providers) are making their linear TV inventory available programmatically, and even national broadcasters, with NBCUx and Fox's AIM leading the way, are beginning to do the same.
What's more, through software advancements and integrations, data on behaviors, actions, and interests collected in the digital space can now be applied to the purchasing of TV inventory. This helps buyers find media that better match their strategic target.

**The Benefits of Working with Programmatic Video Specialists**

Despite these advancements, not all programmatic platforms are able to address the needs of video and TV advertisers equally well. There are two kinds of products. On the one hand, there are platforms, built upon real-time bidding (RTB)—based buying and optimization mathematics, that originated in the abundant world of display advertising and then were extended to serve video and TV advertising. The fundamental shortcoming of these platforms is that they are based on the RTB protocol, which is not suited to deal with constrained, premium-priced TV and video inventory and the subsequent need for futures buying.

Video specialists on the other hand are platforms that have been designed from the outset to serve the constrained world of TV and video advertising. These systems are cognizant of the fact that the newly converging video-and-TV world calls for a different set of protocols that take into account the way TV is usually sold and therefore may serve brand advertisers better.

**Upfront Buying**

Video-and-TV specialists are better suited to planning and buying inventory in a reserved, upfront manner. Because this is the way that TV has been sold for decades, this functionality is key to replicating the predictable results of traditional TV media buying as it moves to programmatic platforms and across screens.

The amount of TV advertising inventory that is available is limited — as is premium video inventory—and buyers’ demand outstrips supply; on the other hand, the volume of display advertising inventory is essentially unlimited. For this reason, most of TV ad inventory is being bought by agencies and brands "upfront," meaning at the beginning of a new TV season, ahead of the time when campaigns are actually going to use that inventory. About 70% of inventory is sold that way, and only about 30% is sold as "scatter" during a season (i.e., on a more short-term basis). But even scatter is being sold with significant lead time, sometimes months, because it still needs to be “reserved” or “guaranteed,” just as is the case for upfront purchases. Marketers must be able to rely on the fact that advertising inventory will be available to them when they launch a new product or a long-planned marketing campaign.

Generally, RTB-based systems do not function well in environments that are characterized by scarcity. TV and video inventory is already scarce, and it is constricting even more for several reasons. TV inventory is diminishing as viewing shifts to other channels, and the pool of video inventory is constricting as advertisers rightly employ stricter standards on fraudulent traffic and viewability as well as the increasing use of hypertargeting. RTB-based systems are also unsuited to businesses that often provide discounts based on the amount of volume purchased. To the extent that most demand-side platforms (DSPs) rely primarily on (RTB) auctions, they will have an increasingly difficult time competing in the current TV and video environment.
True video specialist technologies, however, have been designed to do just that: Buyers can purchase guaranteed inventory both on TV and in video, just as they are able to in traditional direct TV ad sales. Buyers purchase a fixed amount of media at a fixed price with the certainty that impressions will be served when and where needed. Thus they are able to plan a campaign ahead of time and find the optimal media mix to serve their objectives. Beyond upfront purchases, RTB purchases are also supported, which, together with the upfront capabilities, ensures that buyers have access to a sufficient volume of inventory.

**Forecasting**

The ability to forecast against specific audience segments enables a software solution to perform programmatic upfront audience buying. This is not just a matter of connecting the right pipes or hooking up TV publishers' back ends with the DSP's platform. It is a matter of forecasting which inventory with what specific audience characteristics, beyond basic age and gender, will be available at some point in the future.

The ability to forecast separates video specialists from RTB players. RTB-based platforms are designed to apply data at the time of a spot-market purchase in the auction process, supplemented with historical trend data. So while buyers can purchase raw inventory upfront, platforms running on RTB protocols don't know who will show up until they actually do. Therefore, *accurate* upfront audience buying is not possible for advertisers, and likewise, accurate upfront selling from a publisher or media company is not possible without the use of similar specialist software. This means neither price nor volume is guaranteed. Upfront buying using RTB-based platforms is an uncertain prospect that could result in underdelivery against a target audience or underdelivery against any other objectives important to advertisers, such as verified ratings delivery, viewability rates, daypart parameters, or any of the numerous constraints now placed on most video buys.

**Brand Metrics**

Another need of brand advertisers is the availability of brand metrics, such as brand awareness, brand consideration, and offline sales. RTB-based platforms, however, with their display advertising roots, were designed to drive a different set of metrics. Early programmatic display advertisers' main objectives were to run campaigns with huge reach numbers at a low cost. These campaigns were measured by the number of impressions delivered and the percentage of clicks produced. Thus, RTB technologies were designed to drive and measure metrics that lend themselves to these direct response campaigns (e.g., impressions, click-through rates, conversion rates, and online sales).

On the other hand, because video specialists were created with the eventual convergence of video with TV in mind, they were designed to drive metrics important to TV-centric brand advertisers. Generally, programmatic video and TV campaigns that drive the greatest brand results follow a set of protocols quite different from those of display, including:

- Reserved buying and forecasting, rather than real-time bidding technologies, to ensure campaign certainty in a scarce marketplace
- Data fluidity across time and devices to manage frequency and drive relevancy
- Putting importance on controlling viewability, fraud, and favorable brand environments
- Striving for fewer, but better-targeted ads to reach the right consumers, thus eliminating waste and preserving the consumer experience
- Focusing on the right price, not the lowest price, to effectively reach an audience in market for an advertiser's goods or services
Optimization to an advertiser's true key performance indicators (KPIs), up to and including offline sales

**Considering Videology**

Videology is a video advertising platform provider that was founded in 2007 by ad tech pioneer Scott Ferber. With about 350 employees worldwide, Videology is headquartered in New York City and has sales offices in Austin, Baltimore, Toronto, London, Paris, Madrid, Singapore, and Sydney.

Videology's platform was designed from the start with the idea that video and TV advertising would eventually merge and that a new kind of technology stack was needed to help agencies, trade desks, and brands address consumers with relevant marketing messages across screens. It also helps publishers and media companies manage TV and video advertising.

Videology's product exemplifies the advantages offered by video specialist platforms:

- **Cross-screen advertising.** Videology helps advertisers market to a fragmenting consumer audience in a screen-agnostic, integrated fashion across linear TV and to OTT-connected devices as a result of an exclusive, unique integration with Nielsen data.

- **Better targeting, more effectiveness.** Videology allows advertisers to better understand the audiences they are targeting on linear TV.

- **Frequency management.** Videology enables the management of frequency across channels, making sure that heavy users are not overexposed and light users are not underexposed, thus avoiding budget waste.

- **Upfront buying.** Videology makes it possible to buy inventory in a reserved, upfront manner across both TV and video (i.e., to purchase reserved inventory in advance and to holistically manage inventory purchased via direct buys with that purchased through programmatic, audience-based buys). It also supports RTB-based video buys, offering advertisers the full range of inventory sources and ensuring that they have sufficient inventory volume at their disposal.

- **Brand metrics.** Videology allows users to automatically optimize buys using "objective-based planning" functionalities, including KPIs such as brand awareness, brand consideration, and offline sales.

- **Forecasting.** Videology can forecast availability of data-enabled inventory up to 18 months in advance. Based on that information, it is able to allocate inventory across media to create an optimal outcome based on a given advertiser's goals; it can do so even for media collectively purchased by big companies that need to be allocated across brands.
Challenges

Videology's platform has two major advantages over the competition. One advantage is the fact that it allows for upfront forecasting and purchasing of video and TV ad inventory. Conversely, platforms that exclusively use the RTB protocol to source inventory have no forecasting capabilities, thus no inventory or delivery guarantees. However, nothing precludes the competition from developing and operating some kind of automated guaranteed protocol in parallel with the RTB channel to allow for upfront purchases of inventory. This process takes time and resources (in order to develop a new platform) and does not in and of itself unlock access to TV and video inventory sold upfront. This in turn requires a business development effort that directly targets either TV publishers or TV SSPs, which, again, takes time. (It should also be noted that Videology offers software to both advertisers and publishers, thus connecting buyers with suppliers’ inventory.)

The second advantage is the unique nature of Videology's integration with Nielsen, allowing impression-level matching of data across both TV and digital video channels. It is not impossible for omni-channel plays to replicate that integration, but it is time consuming and difficult. On balance, while Videology's advantage is not sustainable indefinitely, in IDC's view, it does buy the company time to market, which in turn allows it to develop new product features that will set it apart from the competition in new, advantageous ways.

Conclusion

As consumers are replacing TV watching with video, advertisers are looking to programmatic technologies to help them sustain audience reach across screens; orchestrate messaging in an integrated, consistent fashion; and apply the advanced audience targeting of digital advertising to traditional TV advertising.

Not all programmatic platforms are equally well-suited to fulfill advertisers' needs (see Table 1). Many platforms were designed to buy display advertising inventory in open marketplaces based on the RTB protocol. However, as video emerged as a new advertising channel, these platforms were extended to also cover video. But even now, many are still restricted to the RTB protocol, including those built for video. And because data can be applied only to impressions as they are being bought, there is no real long-term forecasting or planning possible on these platforms.

On the other hand, video specialist platforms that anticipated the convergence of TV and video have been designed from the ground up to operate in a constrained environment that relies on upfront buying. Advertisers can achieve greater certainty from their cross-screen audience buys because these platforms can forecast and guarantee outcomes of upfront media purchases in TV as well as video, in addition to RTB-based media buys. That means buyers can access both video and TV inventory without limitations. The application of digital consumer data to linear TV inventory lifts campaign performance. Long-term forecasting makes it possible to plan a campaign well ahead of time. This means campaign management now can truly take place in an integrated, consistent fashion for all video channels and TV.

IDC believes that as consumers continue to change the ways in which they watch video, the converging segment of TV and video advertising will grow rapidly. For the time being, only video specialists such as Videology will be able to take maximum advantage of this market to the extent that the company will be able to defend its technological advantage over its competitors.
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<thead>
<tr>
<th>Question to Ask</th>
<th>Why You Should Ask</th>
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<tbody>
<tr>
<td>Does the vendor enable upfront purchases on top of RTB-based purchases?</td>
<td>Only upfront purchasing will make it possible to access TV inventory and to access that portion of video inventory that is being sold upfront. This is not only a question of quality but also a question of inventory being available in the quantities that you need for larger campaigns.</td>
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<tr>
<td>Does the vendor enable applying digital data to TV purchases?</td>
<td>Applying digital data to TV segments such as network, daypart, and program helps you understand the audience of your segment much better than in the past and will increase your campaign performance.</td>
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<tr>
<td>Can the vendor forecast long-term inventory availability?</td>
<td>Advertisers need to be able to understand ahead of time what media will be available and will deliver the audience that they need.</td>
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<tr>
<td>Does the vendor provide true cross-screen integration, unifying video and TV advertising?</td>
<td>Only true integration will sustain your audience reach as it is fracturing across different screens. It is also the only way to deliver consistent planning, buying, and tracking of a combined video-and-TV campaign. Only an integrated platform can offer frequency management to ensure that heavy users are not overexposed and light users are not underexposed, thus limiting waste.</td>
</tr>
<tr>
<td>Is the vendor able to deliver brand metrics such as brand awareness, brand consideration, and offline sales?</td>
<td>TV advertising is brand advertising, and it needs to be able to provide brand metrics as well.</td>
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