NAVIGATING VIDEO:
Monetization, brand safety and data-driven strategies in a post-cookie world

DUGOUT + DIGIDAY
INTRODUCTION

Busy social media feeds, crowded websites, interruptive pre-roll and mid-roll ads, auto-play and irrelevant — or harmful — environments, all of these make video a challenging opportunity to navigate.

For publishers, the motives behind investing in video differ widely — whether it’s exclusive video content that drives subscriptions or using video to increase unique visits to their sites. For brands, investing in video is a question of reach, available inventory and trust in content, especially in an era of brand safety concerns.

Video advertising is also a growth area. The innovation and acceleration of connectivity, devices and video formats march on. For publishers and advertisers, there’s a need to understand where the opportunities lie, to identify and overcome internal and external challenges and then to capitalize on areas that will continue to grow.

In addition, as the industry reacts to Google’s two-year deadline for the eradication of third-party cookies for targeting, there’s an appetite for first-party data. This puts publishers in a strong position, if they have sufficient access to audience data and analytics on engagement, shares and views for video. When they do, they can monetize that resource, providing brands with the right audience and a trusted environment in which to invest.

In this report, we investigate the current state of video, highlighting publisher and advertiser views, via a quantitative survey and qualitative interviews, on the importance of video formats, the appetite for contextual advertising, life after third-party cookies, audience engagement and the challenges and blockers to investing in video.

Here’s what we found.
Connectivity is growing, and fast. By 2023, the total number of global internet users is projected to grow from 3.9 billion in 2018 to 5.3 billion. Over 70 percent of this population will have mobile connectivity, and 5G devices and connections will represent over 10 percent of global mobile devices and connections, according to Cisco’s Annual Internet Report.

For video, this means more people will have the ability and bandwidth to view live, streamed or downloaded high-quality video content on a device of their choice. And it opens up the possibility for brands, publishers and creators to connect those viewers with relevant, creative video ads.

Our respondents are already acting on this value and promise. When asked whether their publication values video content in its editorial strategy, 91 percent said yes — 25 percent say it’s highly valued, 50 percent say it’s valued and 16 percent say it’s somewhat valued. And these answers are reflected in the actions of these publications: 69 percent of publishers frequently or very frequently support editorial content with video content.

Publishers stated the extent to which video content drives engagement and shares. When compared to the outcomes of non-video editorial content, video is a clear winner. Our research shows that 62 percent of publishers say video content drives “a lot of engagement,” as compared to the 44 percent of publishers who say this for non-video editorial. Forty-four percent of publishers say video content drives “a lot of shares,” as compared to 13 percent of publishers who say this for non-video editorial.
Video drives higher revenues

All those shares and all that engagement are linked to higher revenue. Video is having a positive impact on both publishers’ businesses and their audience. Seventy-two percent of publishers agree that video can drive higher revenues for their business and 87 percent believe that video improves the overall user experience for their audience.

Video content drives higher revenues for publishers and improves user experience for their audience

From an advertiser perspective, our brand and agency respondents also see the value of video.

Just over half (53 percent) of advertisers say video advertising generates a higher ROI compared to other formats and channels. But they also say they are concerned with how and where a brand appears on site — premium publishers have an opportunity here to showcase video formats, location on site and the quality of their video players to attract revenue. Advertisers say the most important factors when investing in video are formats (52 percent), location (18 percent) and quality of the player (16 percent).

As an example of publishers responding to factors such as these, in September 2019, Vice went one step further than just offering a premium location on site with the launch of its Video Everywhere ad product. It allows advertisers to buy video ads against its content across multiple platforms — Vice’s site, YouTube, Facebook, Snapchat and Apple News, and, in the U.S., on Roku. A year after launch, the publisher told Digiday that “by packaging video for advertisers across fragmented markets and platforms at scale, Vice has grown its video ad revenue by 120 percent globally.”
WHAT’S BLOCKING INVESTMENT?

When it comes to spend and video advertising, both publishers and advertisers are struggling with inventory. They need and want more of it. Having a sufficient supply of video inventory and generating that supply is a particular challenge for the publishers we surveyed. For example, 85 percent of publishers say generating a sufficient supply of video inventory is challenging.

Generating a sufficient supply of video inventory is a challenge for publishers

HOW CHALLENGING IS IT TO GENERATE A SUFFICIENT SUPPLY OF VIDEO INVENTORY?

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<td>47%</td>
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<tr>
<td>Challenging</td>
<td>25%</td>
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<tr>
<td>Very challenging</td>
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Advertisers are not convinced their current video strategy provides enough reach

DO YOU THINK YOUR CURRENT VIDEO STRATEGY PROVIDES ENOUGH REACH WITH YOUR DESIRED DEMOGRAPHIC?

Video ROI and reach

Advertisers gave a lukewarm response when it comes to whether they are getting the most from video advertising. Just under a quarter (22 percent) of advertisers say their current video strategy provides enough reach within their desired demographic, while the majority say the reach is “somewhat” sufficient.
Video effectiveness and needed metrics

One challenge in video advertising is that some ads want viewers to click out of the content they’re viewing, and they’re often not inclined to do that. This doesn’t mean those ads are ineffective, but it does mean that an alternative metric is needed to show how effective those ads are.

Jonny Appleby, video lead at Wavemaker, agrees that “one of the biggest challenges holding video back as an ad medium is proving its efficacy, and tangible outcomes, given that video sits perfectly between being an investment in brand awareness and performance marketing.”

Consumers “don’t typically click on ads,” says Appleby, and more so when it comes to pre-roll or mid-roll advertising on video content consumers want to view. He says: “To really prove the full effectiveness of video, we need to think more long-term and look to econometrics and research studies to analyze the actual business results.”

In November 2019, Gain Theory, MediaCom and Wavemaker released their ‘Demand Generation’ study — an econometric analysis of £1.4 billion of media spend by 50 brands across 10 forms of advertising over three years. That report tells us that not only is proving effectiveness a factor in winning video-ad budgets, so is learning how to use video ads in the right way across different channels and environments.

Appleby says the study “demonstrated that video, when used alongside linear TV, provides advertisers with the highest pure demand generation, and also the least risky forms of advertising, delivering just 20 percent of variance compared with the median return.”

Building on that concept, it is important to note that linear TV is just one component in the mix. Shifting campaigns from linear to video on demand (VOD) poses its own challenges.

Sophie Russell, senior planner at Brave, says agencies and clients, “see a big risk in switching funds from linear TV to VOD because there is a risk the change won’t deliver the same ROI as TV currently does.”

And with the user experience of the web itself poised to change, Appleby adds: “As we move to a visual and voice-based web in the near-future, marketers need to ensure their video strategies truly consider the channel they appear in — and the hugely different content type and demographic variety between broadcaster video and TikTok.”

Then there’s the question of creatives and the video ads they build. Even in the demand-rich, risk-light space of linear TV, there can be pitfalls around how a video is constructed. As Russell says, “creatives may not have as much expertise writing for digital and feel much more confident writing ads that tell a story over 30 seconds, which is linear TV’s sweetspot.”

These concerns feed into a wider concept of media fragmentation. For many video-ad campaigns, success will take more instances, formats and iterations — all to match the environments to which they’re deployed.

Russell says: “For clients and their creative and media agencies, it now means you have multiple stakeholders in the creative process. You can end up with a 30-second TV ad, a separate 30-second VOD ad and then a shorter YouTube pre-roll with importance given to the first three seconds — all requiring different creative. In the end, this multiplies the time spent creating, developing and producing an ad rather than focusing minds on the task at hand.”
Publishers and advertisers voiced mixed opinions about the opportunities that VOD and OTT present for video advertising. Some say the value isn’t apparent yet and others see it as additional valuable inventory.

Facebook and YouTube provide the highest reach across online audiences, according to Marcus Chomyszyn, digital manager at global media advisory MediaSense, but he also notes that “they’ve both come under fire due to concerns over brand safety within user-generated content environments.”

If advertisers do opt for the reach these services provide, it will raise the stakes even further for other video providers. As Chomyszyn notes: “As online streaming has increased, broadcast-video on-demand providers are increasing reporting capabilities to remain competitive in the digital ecosystem. As the streaming industry develops, increasingly diverse platform opportunities are appearing globally. Brands should look to explore these opportunities to drive additional reach and deliver online video in higher quality environments.”

It’s also important to note that our respondents are not beating the brand-safety drum, showing that perhaps brands will lean into these spaces more as their hunger for inventory and quality content increases.

The publishers and advertisers surveyed also give varied responses to the VOD and OTT opportunity.
What is your opinion on the opportunities of OTT and VOD services?

**Publishers:**

"OTT does not make sense for publishers without already large video audiences as it is difficult to sell without an audience."

"Enormous, but difficult to access today."

"Highly brand safe environments — they are the future of TV and will hold the majority of ad spend in the next five years."

"OTT and VOD are outside our niche at the moment. I do feel advertising opportunities will be limited as users expect ad-free content when they are paying for the service."

"They provide additional valuable inventory."

"Target customers with precision."

**Advertisers:**

"OTT and VOD can provide great opportunities for brand awareness. It would be interesting to see how media strategies evolve around these channels."

"We have just started using these options for our clients and look forward to seeing how this grows."

"Allows advertisers with smaller budgets to play in the space."

"Promising but still complicated to buy."

"Need to understand the inventory source and quality."

"Current fragmented landscape and lack of transparency pose serious issues."

Ryan Deluchi, managing director of MOFILM, is not surprised to see these mixed opinions from respondents but believes that advertisers should take note as VOD and OTT become the most common viewing habit for the general population.

He says: "As we enter the so-called ‘streaming wars’ this year, it’s likely we’re going to see more creative and interesting ways for brands to use these platforms. For example, I expect we’re not far away from shoppable video being introduced, while product placement is likely to come back in a big way." He adds: "There may also be opportunities for brands to create content that people want to watch on VOD or OTT, as we saw Pepsi do in cinemas with their Uncle Drew character back in 2018."
Despite being hot topics for the past few years, brand safety and trust are not top challenges for publishers — instead, quality, costs and sourcing top the list. This suggests that first and foremost advertisers want their ads to be seen against quality content (with this factor helping to solve a big part of the brand safety issue). Unsurprisingly, brand safety is actually higher up on the agenda for advertisers, but this is still trumped by quality and insight into performance.

Deluchi, at MOFILM, suspects that brands’ challenges around the quality of the content may be a result of a recent race to the bottom, in terms of cost in recent years. He says: "Inevitably, there comes a point where the quality of the output suffers as a result of compromising on core production elements.

"The question that brands need to be asking is not, 'How can I reduce the cost of video production,' but, 'How can I get more for my existing budget,'" he says.

Furthermore, Deluchi says that brands need to be smarter with this budget. He says, "It’s not uncommon that we’re now delivering 50-plus assets from a single day shoot. It tends to be the brands with a good handle on their annual content needs that are most likely to take advantage of this approach."
SEEKING OUT FIRST-PARTY DATA AND CONTEXTUAL TARGETING

Diminishing third-party cookies are high on everyone’s agenda. Adtech, martech, brands, agencies and publishers are all acting and reacting to ensure their businesses are set up for compliance, and also for effective campaigns. For video advertising, the focus turns to first-party insight and contextual targeting options, and in many cases publishers are well-placed to act on this new era of privacy-compliant marketing.

A majority of publishers are already using insights derived from first-party data on audience preference and behaviors to influence their video strategy. — 9 percent say they use first-party data “very frequently,” 25 percent say “frequently” and 38 percent say “occasionally.”

Advertisers follow suit by using first-party data on audience preference and behaviors to influence their video strategy. — 17 percent say they use first-party data “very frequently,” 45 percent say “frequently” and 26 percent say “occasionally.”
Consumer appetite for relevant and contextual advertising is apparent in recent research. In an IAB study of 1,544 U.S. consumers aged 13 and over, 56 percent of respondents say they prefer ads related to the content they’re watching over other choices. The study highlights examples such as receiving a supermarket advert when watching a cooking video. It also shows that these respondents say receiving a contextually relevant ad increases consumer receptivity.

Since Google and other browsers announced that they’re phasing out third-party cookies, it’s no surprise that our research shows 94 percent of publishers actively looking at contextual targeting options; 90 percent of advertisers are doing the same.

Echoing our data, Marcus Chomyszyn, at MediaSense, identifies a few challenges with contextual targeting.

He says: “Quality video inventory is already in short supply with restrictions on available quality impressions in good environments. Segmenting inventory into further contextual categories will further limit delivery of video campaigns and, outside of Facebook, YouTube and Broadcast VOD, few publishers will have the required volume to provide a significant offering.”

To work, contextual targeting will require the industry to come together. Chomyszyn says: “Publisher partnerships could help to increase contextual targeting opportunities in video but this would rely on consistent, shared contextual categories between all parties and advertisers will still value certain publishers over others.”

As the third-party cookie continues to crumble, personalization can still be pursued as a marketing strategy,” says Hannah Kimuyu, director of data insights and media at Greenlight Digital. “Contextual targeting provides a great alternative to cookies. Behavioral targeting through third-party cookies tends to be disruptive to the user’s experience, especially when it comes to video content; contextual targeting is less pesky for the user and, if done correctly, even helpful.”

Kimuyu says, “through placing relevant ads during related video content, contextual targeting has the advantage of offering deeper insight into the things consumers are actively looking for when they search for content”. This also plays into privacy-compliant advertising. She adds: “Since contextual targeting is based on what the user is searching for in that moment as opposed to being based on their entire search history, it feels less invasive to user privacy.”

Advertisers similarly rate the importance of contextual relevance when it comes to their video strategy, but give a measured response to the contextual relevance of available inventory — 39 percent say contextual alignment is “extremely relevant” to video strategy, but only 9 percent say current inventory is “extremely relevant.”

How would you rate the importance of contextual relevance to your video strategy?

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How would you rate the current contextual relevance of video inventory available?

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Publishers value video content highly but costs, quality and generating a sufficient supply of video inventory — plus sourcing rights-approved content — are a significant barrier around realizing that value.

Advertisers’ chief points of focus include video formats, seeking contextual inventory and hopefully improving reach from video advertising — and they’re not seeing it yet.

Contextual targeting and the use of first-party data to inform video strategies offer both publishers and advertisers a glimmer of promise in solving some of the fallout from the end of third-party cookies — this will require the industry to meet and discuss standards around metrics, viewability and the availability of ad units.
We surveyed the Digiday audience to find out their views on navigating video advertising. We asked publishers and advertisers (made up of brands and agencies) for their views on video formats, contextual advertising, life after third-party cookies, audience engagement and challenges around investing in video.

We had 115 respondents, made up of 32 publishers, 54 agencies and 29 brands. The majority of these respondents are from the US (67 percent), followed by the UK (10 percent) and APAC (five percent) - the rest (18 percent) are from Canada, Austria, Italy, UAE, Israel, Ireland, Denmark, Portugal and France.