The UK Online Video Advertising Market Report

The second bi-annual report from Web TV Enterprise

March 2010

Contents

TV ad spend hits the web

In September 2009, we ran our first VOD media buyers survey and published a supporting report. Our study predicted solid growth in the UK online video advertising market and our follow up 2010 survey has confirmed many of our predictions.

With professionally produced short and long-form content being added to all leading web destinations every day, video viewing on the web is continuing to grow. The size of the audience now engaging with this content offers TV advertisers significant reach on the web. Combine reach with the ability to target specific audiences, channels and content environments, it is no surprise that TV advertisers are allocating more spend to VOD.

As the UK's largest premium video advertising network, our own revenues have seen the highest increase over the past six months as the appetite to reach our channels and combined audience of over twenty million online viewers grows. We are also seeing VOD becoming a bigger focus and revenue stream for broadcasters who are actively driving viewers to online catch-up TV services on their websites. With major web players such as YouTube and MSN also adding significant amounts of long and short-form premium content to their platforms, the battle for audience share on the web is under way.

Our study focuses on video advertising placements around professionally produced content on the web. This is dominated by pre-roll ad placements, which is usually a 10-30 second audio-enabled video advert that is played when a user clicks to view a video online.

For the sake of clarity, this report refers to VOD throughout - Video-On Demand. It is important to highlight that most media buying agencies refer to online video advertising around content as VOD.

The VOD media buyers survey intends to provide advertisers, publishers, content owners and media buying agencies with valuable insight. After analysing the results from our latest survey, completed by 135 media buyers, we are continuing to feel extremely buoyant about the online video advertising market and its future growth.

Jamie Estrin

Managing Director, Web TV Enterprise

The online video advertising marketplace

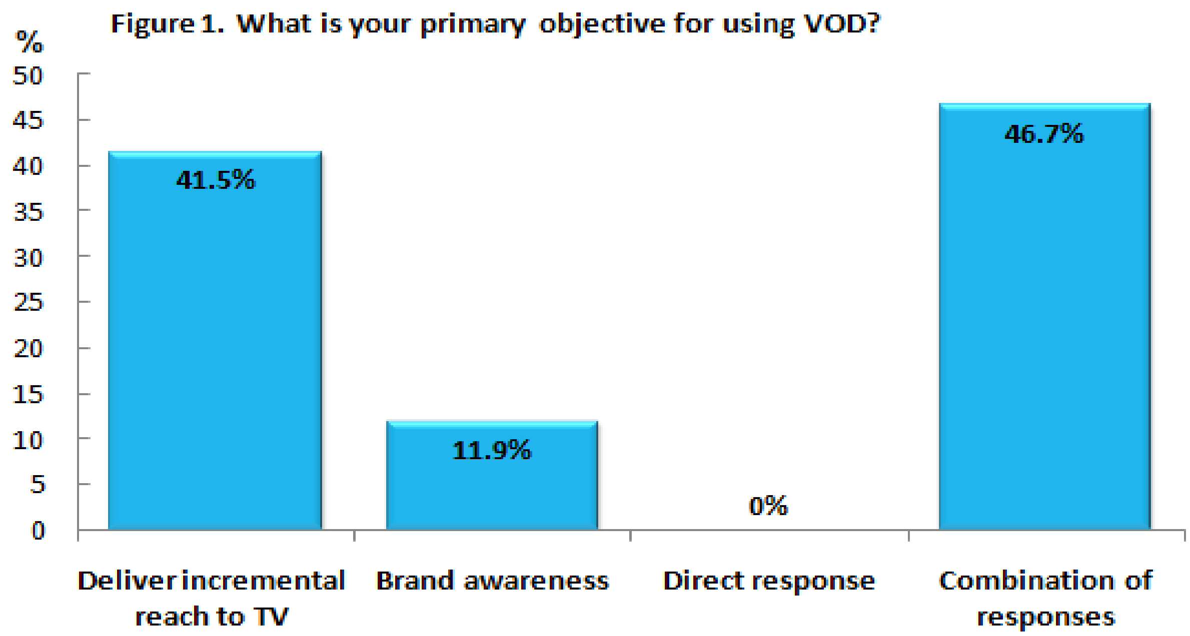
Who is buying pre-roll advertising?

It is still the role of TV and digital media buyers to plan and buy VOD ad campaigns for their clients. Our survey found that VOD buying is still fairly divided between TV buyers (52%) and digital buyers (48%).

Why – incremental reach, branding or direct response?

Nearly half of respondents (41%) stated that their primary use for VOD was to deliver incremental reach to TV. This indicates that TV budgets are driving growth of the online video advertising market.

No one cited direct response as the main reason for using video advertising, and when asked how important click through rates were for branding campaigns, 64% stated only 'fairly important.' These findings demonstrate growing awareness around the wider impact of the medium, such as engaged views.



What's the frequency - how many campaigns have media buyers run?

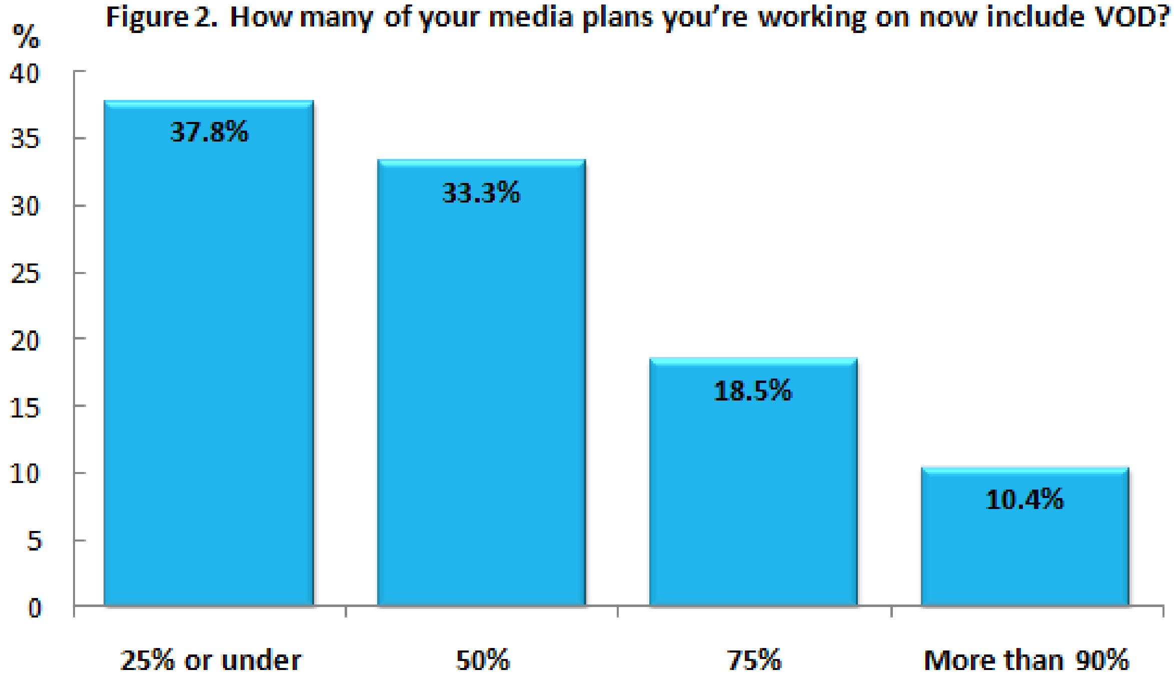
Half of VOD buyers stated they have run between 5 and 20 campaigns over the past six months.

Compare this to 40% of buyers saying they had only run 1 to 5 campaigns in 18 months in our last survey and we can clearly see that the amount of VOD campaigns being run on the web has increased significantly.

VOD as part of the media mix - how many media plans does VOD appear on?

The importance of VOD as part of the media mix has been reinforced by 62% of VOD media buyers stating that more than half of the media plans they are working on now include VOD. Considering all buyers taking part in this survey are also responsible for buying TV or digital media, this is a powerful statistic proving VOD is fast becoming part of the media mix.

Figure 2. How many of your media plans you're working on now include VOD?



Pre-roll advertising spend

Average campaign budgets

Nearly a third (30%) of buyers say their average campaign spend on VOD is between £25,000 and £50,000, which has increased from the previous survey (25%). Only 10% of campaign budgets are now under £10,000, down from 19% last year. 41% of buyers said they spend between £10,000 and £25,000 (around the same as 2009), while 19% said their average campaign spend for VOD now exceeds £50,000 – rising from 12% in 2009.

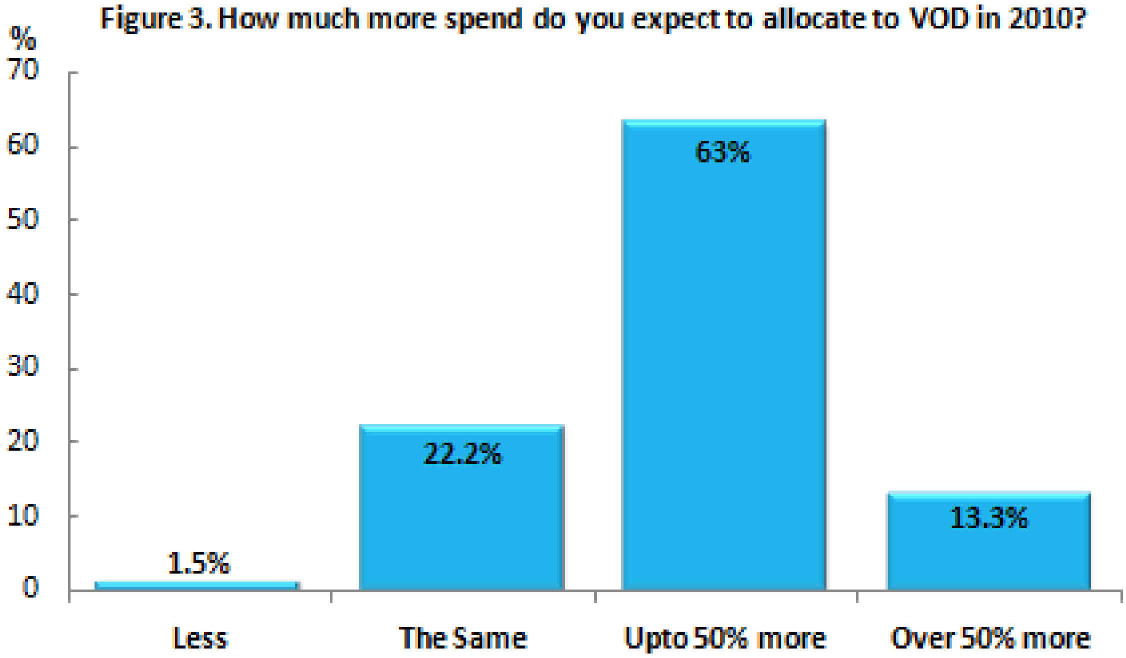
With most buyers telling us that their VOD spend is being used to deliver incremental reach to TV and brand awareness, we can only assume that the increases in spends are coming from TV budgets rather than direct response digital budgets.

Projected growth

The vast majority (76%) of all VOD media buyers expect their online video ad spend to increase by up to 50% or more over the next six months.

We were excited to see this prediction among buyers six months ago - to see this figure repeated again proves that there is no sign that investment into the VOD ad market is slowing down.

Figure 3. How much more spend do you expect to allocate to VOD in 2010?

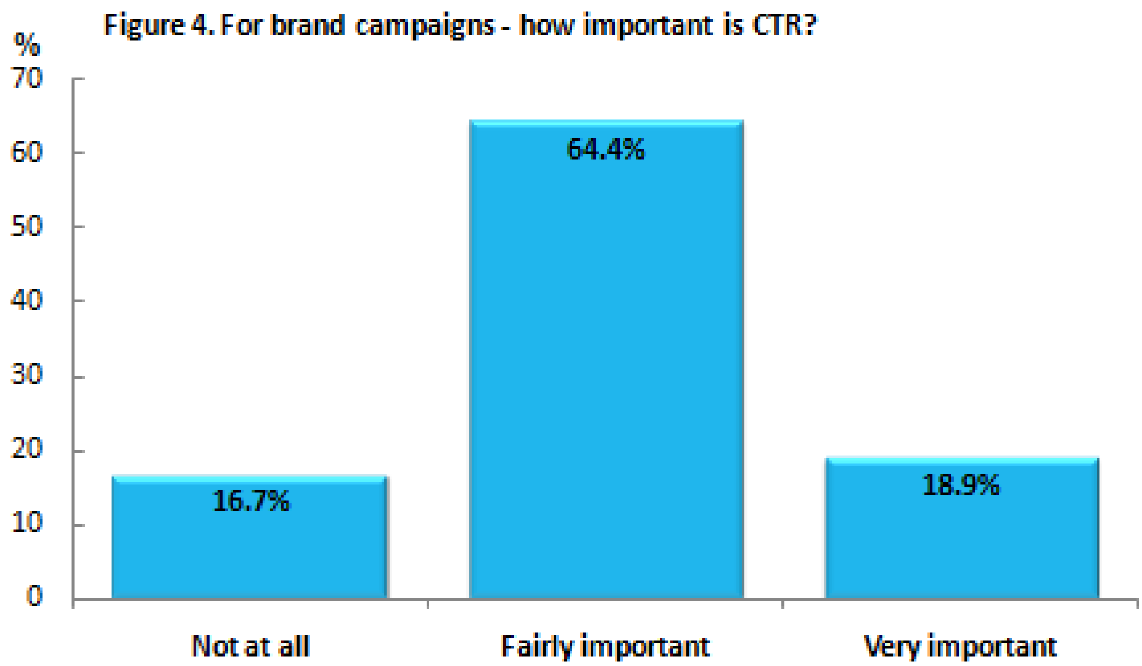


Measurement of VOD

How important are click through rates?

With lack of measurement for brand campaigns still an issue, VOD campaigns have often been judged on the interaction rate achieved by the user clicking on the video advert (click through rate). This form of measurement will always be important for direct response campaigns on the web but when we asked media buyers how important it is for brand campaigns, only 19% said they are very important.

As the market is maturing, media buyers are now acknowledging that brand campaigns can no longer be judged on click through rates. This is refreshing when considering that a large percentage of audio-visual adverts running on the web have not been created to drive the user to interact with them in any way.



Key barriers towards growth

Lack of measurement was the main barrier to growth in our last survey and this remains the main barrier, as highlighted by 34% of respondents. Other barriers noted by media buyers were rates (21%), audience targeting (10%) and audience reach (9%).

Measurement: offering guaranteed engaged ad views against targeted content is a powerful proposition to advertisers and is currently driving growth in the market. Video advertising branding campaigns are about getting engaged views around targeted content. It's less about people interacting with ads just because they can click on them.

The fact remains that, until there is an established audience measurement system in place for the web, TV advertisers will find it challenging to accurately predict the incremental reach the web is delivering to a linear TV campaign.

Who can deliver this solution?

When asked which research company was in the strongest position to deliver a solution for buying audiences on the web, the answers were fairly equally split between Comscore (31%), UKOM (23%) and BARB (23%). An additional 15% of buyers felt that none of these three companies will be able to deliver a viable solution.

As an appointed member of the IAB Video Council steering committee, we are backing the IAB's position to collaborate with all companies to explore a viable solution. There is no doubt that devising an audience measurement system for the web is complex and challenging, but with full resource being allocated by these companies into finding a solution, it is likely media buying agencies will start backing one of these solutions this year. This will enable the web to continue gaining more of a share of the £3 billion TV ad market, and give media buyers a defined measurement system to buy reach across the web and linear TV on one media plan.

VOD – a fast maturing market

When we ran our debut VOD media buyers survey in September 2009, it was the first of its kind and gave us an early indication as to how active media buyers were becoming in the fast-emerging UK VOD market. Six months later, we asked the same set of buyers another set of questions. So what did we learn?

There is no doubt that VOD is becoming part of the marketing mix. Conclusive evidence of this came when over a third of respondents said that VOD was now appearing on more than 50% of their media plans. This is a huge step forward for the industry.

Comparison of our two surveys shows clear market growth. This includes an increase in the number of VOD campaigns booked, larger average spends and a prediction from the buyers themselves that spend will increase by another 50% over the next six months.

There is no doubt that the VOD market is still in its infancy, especially taking into account that the total market is still a tiny percentage of overall TV spend. Our survey clearly indicates that growth of VOD is going to come from TV budgets, with more than 50% of VOD campaigns now being used to deliver incremental reach to TV.

Lack of measurement is still the main barrier to growth but while the challenge of delivering an audience measurement system for the web is still unfolding, significant growth is still being achieved from the current metrics in place.

Once thing is certain. The VOD market is maturing fast. This time last year, many media buyers were testing pre-roll advertising for the first time, most TV advertisers were not running their campaigns on the web and most media buyers hadn't yet bought into the value VOD advertisers can deliver.

As we head into the second quarter of 2010, media buyers and advertisers understand where VOD fits into the mix, how to sell it to clients and the value it delivers. There are set standards for pre-roll advertising being accepted into the market and most media buying agencies have now identified their processes for planning and buying VOD campaigns.

2010 is going to be an interesting year for VOD as the market continues to evolve. We look forward to our next survey in autumn this year to see just how much progress has been achieved.

About Web TV Enterprise
Web TV Enterprise (www.webtventerprise.com) is the UK's largest premium online video advertising network. The company presents advertisers with premium online video content from leading publishers and content owners, where it places audio-visual advertising (pre-roll ad spots). Web TV Enterprise exclusively represents premium content from partners including Universal Music, Simply Media, Future Publishing and IPC Media. Over 80 leading advertising brands have run campaigns on Web TV Enterprise's premium video channels including Sony Playstation, COI, Vodafone, Renault and Unilever.

Founded in 2006 by Jamie Estrin, Web TV Enterprise's premium video ad network reaches over twenty million online viewers.

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