



COUNCIL FOR
PREMIUM VIDEO
EUROPE

WHY PREMIUM VIDEO MATTERS FOR ADVERTISERS: A EUROPEAN PERSPECTIVE

JUNE 2017

[#PremiumVideo](#)

Executive Summary

Faced with infinite choice, how today's consumer watches TV has changed. Enhanced availability of premium programming anywhere and everywhere has resulted in increased viewing on mobile, tablets and especially on over-the-top (OTT) platforms, as people seek out the best screen available to watch their favourite shows. A new era for TV has arrived, sparking an evolution for the advertising that supports it.

Advertisers are following these changes in viewing habits, but the corresponding shift in media investment is slower than consumer adoption of these new screens. But it's just a matter of time. In 2015, OTT and video ad revenues across Western Europe were recorded at \$6.4 billion, but this figure is due to double in the next four years — reaching \$14.64 billion in 2021⁽¹⁾.

The FreeWheel Council for Premium Video, Europe

The FreeWheel Council for Premium Video, Europe (FWCE) is an advocacy group, comprised of 13 members, including programmers and operators across Europe. The FWCE serves the collective interest of those in the premium video industry through leadership positions, research and advocacy promoting the premium video economy.

While advocating for the premium publisher ecosystem, the FWCE was formed to help drive the entire premium video industry forward. This paper represents the first collective output for the FWCE and is built on shared market-leading research, knowledge and experience. We start with the definition of premium video and further explain how it differentiates itself from the digital fray.

“The full value of premium video, and how best to use it, is not widely understood. Still preoccupied with the wider digital spectrum, brand advertisers have not yet leveraged the full potential of premium video to enhance brand safety and campaign effectiveness, or what distinguishes it from risk-laden, lower-tier inventory.”

– Timothée Thirouin, Director, Digital Advertising Operations,
Discovery Networks International

To realise the power of premium video, an understanding of its worth and capacity is vital. This paper explores the value that premium video provides for both advertisers and the audiences they are trying to reach, as well as what the industry can do to collectively to refine, utilise and transact it more effectively.

KEY TAKEAWAYS FROM THE PAPER:

- 1) What sets premium video apart is its capacity to **elicit engagement** with both publisher content and the advertising that appears alongside it.
- 2) All too often the industry is trying to **measure premium video by the standards of other formats**, pinning its worth on metrics like viewability alone, without recognising its potential to engage the consumer.
- 3) In TV-like environments, **fraud is virtually non-existent** and advertisers can reach real humans, engaged with content they have opted-in to watch.
- 4) In contrast to quality and transparency issues associated with long-tail content, premium video is a **haven of brand-safety**.
- 5) Premium content has always been subject to **robust quality controls** that maintain high ad trading and execution standards to **ensure optimum ad experiences**.
- 6) Advertisers should consider the true value of premium video through the **incremental reach and engagement** it delivers.

INTRODUCTION

What is Premium Video?

There are two elements that set premium video apart. First, the content is of superior quality: to earn the title of “premium,” videos must be professionally produced, engaging and curated to meet individual viewer expectations. Second, its placement is secure — premium videos only appear in high-quality environments that provide a great user experience, while upholding and aligning with brand values. TV content, delivered through any screen, is the epitome of quality, as both content and ads must meet strict criteria to comply with regulations.

DEFINITION

Premium Video

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

Premium video is therefore appealing to both audiences and advertisers. For audiences that make a conscious decision to proactively seek and view programming, they enjoy the high-quality content that reflects the calibre of its surrounding environment, while delivering a meaningful viewing experience. For advertisers, it offers a brand-safe way of connecting with viewers, increasing positive perceptions of their brand, and enhancing audience receptivity. All three of these factors greatly influence advertisers’ abilities to optimise engagement and deliver positive business outcomes.

Thus, we can define premium video as: professionally produced content delivered via curated user experiences in a brand-safe context to highly engaged audiences.

With the current issues around digital supply transparency and quality, the brand safety element of this definition means that premium video is more important than ever to marketers.

“The choice facing advertisers for where and how to invest in video advertising is potentially overwhelming; measurement varies from one platform to the next with little to no standardisation of audience targeting. Despite this seismic consumer fragmentation across content and platforms, we see time and time again that advertising delivered in compelling, brand-safe TV content delivers results for our advertisers. Highly engaged viewers are more likely to be paying attention, to recall your commercial message and of course to actually see your ad in the first place.”

– Richard Astley, Chief Product Officer, Addressable TV at GroupM.

Engagement Drives Success

In 2017, digital ad sales are expected to account for a 40% market share⁽²⁾, with proportions rising to 58% in the U.K.⁽³⁾ Advertisers are increasingly looking to their digital channels to maximise returns and in a world of media fragmentation, premium video provides a much-needed method of capturing audience attention.

The latest industry data not only shows premium video is highly viewable in innately fraud-free,

advertiser-friendly environments — OTT and VOD — but it also holds user attention longer. For example, a recent report by Channel 4 found that, in comparison to its own All 4 VOD ads, video ad completion rates for YouTube are 62% lower and more than five times lower on Facebook⁽⁴⁾.

Such viewing data cements the chief differentiating factor of premium video: its capacity to elicit engagement with both publisher content and the advertising that appears alongside it.

“In today’s crowded digital media space, where news feeds and user generated content drive volume but viewing is more passive, this engagement factor is increasingly crucial to advertising success.”

– Francine Mayer, Managing Director, Canal+ Régie

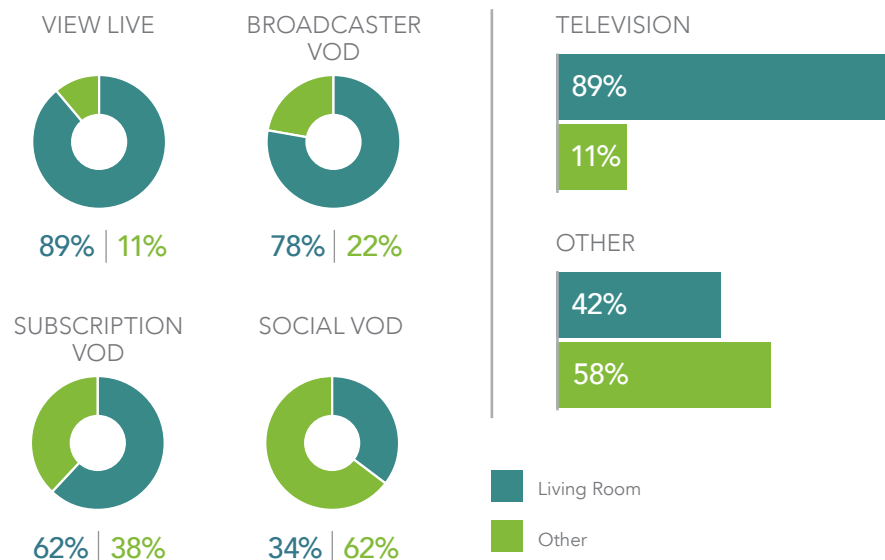
As more of this viewing takes place in the living room with OTT and VOD services complementing live television experiences, as illustrated by a SKY/BDRC Continental study below, this engagement factor is further enhanced by the notion of the “shared experience.” The larger screen coupled with the fact that multiple viewers are more likely to be drawn in by the content also has positive implications for the sponsors that appear next to that engaging programming.

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CHART 1

TV IS THE MOST USED SCREEN IN THE ROOM

The Living Room Remains Centre Stage of the VOD Ecosystem



SOURCE Sky / BDRC Continental Diary Study, 2016 Q7 What room did you watch the programme in?
Base: All viewing occasions (1074)

VIEWABILITY: Should We Be Looking for More?

Based on the challenges facing longer-tail video, viewability has become an all-important metric for advertisers to ensure they are getting value from their investment. According to a recent eMarketer study, 38% of U.K. digital advertisers named viewability as their number one priority⁽⁵⁾.

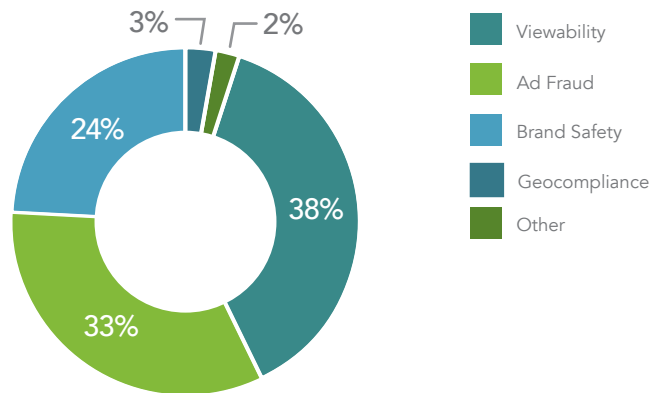
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CHART 2

UK DIGITAL ADVERTISING PROFESSIONALS VIEWS

The Most Important Aspect of Media Quality

DEC. 2016, % OF RESPONDENTS



NOTE n=120

SOURCE eMarketer, UK Measurement and Viewability: Tracking the Served Ad Journey, 2017

This is an area where premium video ads excel. Surpassing both Media Ratings Council (MRC) standards (50% in view for two seconds) and the Internet Advertising Bureau's (IAB) 70% benchmark, premium video ad viewability has been shown to reach 77% - almost 15% above the general video average (63%)⁽⁶⁾. This number is only increasing as more premium video volume is delivered through the living room screen via OTT and VOD, which are, importantly, environments that cannot measure viewability today.

The challenge for the industry is that we are using models that align to the lowest common denominator: whether viewers saw the ad, not how they engaged with it — such as how long they watched the ad or whether the ad view inspired interaction with the brand. Viewability may be effective as a means of tracing lower-tier inventory impact, but the value of premium video can only truly be gauged if also assessed against engagement metrics using more efficient tools.

While viewability has become a foundational metric for advertising in most forms — we can all agree that ads must be seen to make an impact — it cannot be the only measure of success. Channel 4's study shows that VOD produces 3.5 times more audience attention than YouTube in the U.K.⁽⁷⁾

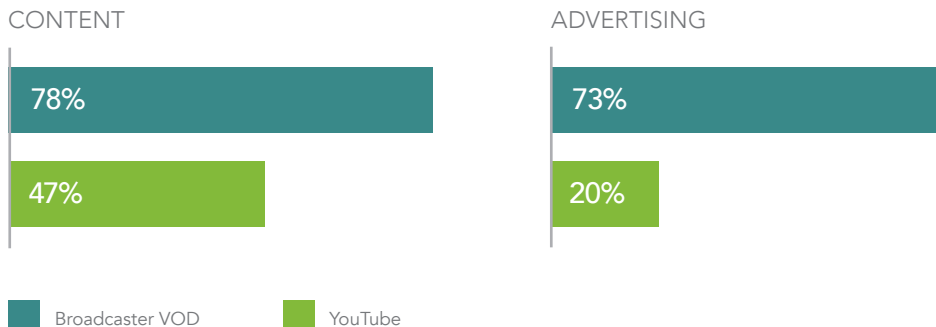
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CHART 3

Attention Given to Broadcaster VOD Ads vs. YouTube Ads

3.5x

greater attention to
Broadcast VOD ads
vs YouTube ads



SOURCE Independent agency GOG Research and Neuroscientist Dr Amanda Ellison at Durham University, coupled with Channel 4's own viewing metrics from online marketing campaigns, 2017.

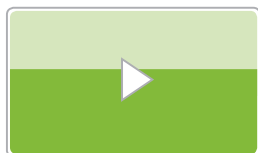
Data from Belgian broadcaster Medialaan also reveals that its long-form content achieves an impressive 98% ad completion rate⁽⁸⁾. Premium video's ability to engage audiences and drive business outcomes significantly outpaces other formats because it is content they have specifically chosen to watch, and viewing behaviour tends to be more active than passive. For instance, new research from Accenture in partnership with NBCUniversal highlights that, in comparison to standard digital short-form video, long-form premium video drives 11.6 times higher brand awareness, 4.3 times more consideration, and, perhaps most important of all, 2.5 times greater purchase intent⁽⁹⁾.

The latest research from France's SNPTV (the professional organisation of the French sales houses) also confirms that advertising in a premium environment boosts sales, with 62% of ad campaigns having an immediate effect on sales volumes⁽¹⁰⁾.

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CHART 4

TV ADVERTISING: Sales Booster



62%
of TV campaigns have
an immediate impact on
sales volumes



+23%
average increase
in short-term sales

SOURCE Les + de la TV, Le guide du SNPTV, 2017.

FRAUD-FREE ZONE: A Secure Format

Although ad fraud is prevalent in the wider video ecosystem, premium video is essentially fraud-free. In a recent study by the Association of National Advertisers (ANA) and White Ops, it was found that 23% of general video ad impressions were driven by bots⁽¹¹⁾. However, when Methbot was discovered driving significant fraudulent video traffic in late 2016, FreeWheel found that 99.99999% of the premium video traffic on its ad server did not match any IP addresses highlighted in the White Ops report⁽¹²⁾. Thus, virtually all premium video monitored ads are seen by real viewers.

This is largely because OTT and VOD channels are run by professional, reputable publishers in closed systems. Like linear TV, the content these environments serve must meet stringent broadcasting regulations across multiple regions which means programme quality is intrinsically high. What's more, for advertisers, audience validity and quality is also guaranteed. Not only are most VOD and OTT services accessed via accounts that require user authentication, but publishers are extremely diligent to ensure user data is secure and services are never disrupted by any fraudulent actors.

Premium video, especially delivered via VOD and OTT, is therefore an enticing option for advertisers seeking to invest their budgets in safe environments, where users are engaging with dynamic content on larger screens. With a transparent view of the content ads will be placed beside and who exactly is watching, advertisers can drive results with precisely targeted messages for maximum impact.

BRAND SAFETY: Premium Video is a Trustworthy Advertising

Brand safety is a growing priority for advertisers, cited by almost a quarter (24%) of U.K. digital advertisers as the most important aspect of media quality⁽¹³⁾.

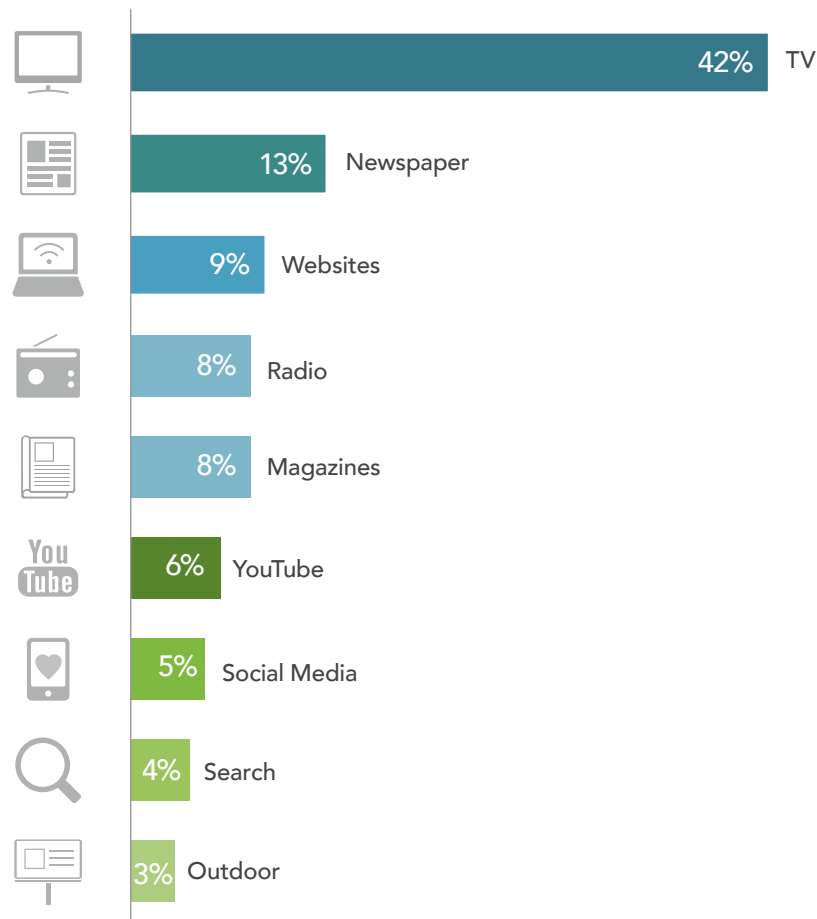
This prioritisation was fueled further by the recent scandal that followed The Times' investigation of big brand ads appearing beside extremist content, prompting many high profile brands to adjust their ad spend, including Pepsi, the BBC, Marks & Spencer, HSBC and advertising group Havas⁽¹⁴⁾.

In contrast to the quality and transparency issues associated with long-tail content, premium video is a haven of safety. This is in no small part a result of the fact that premium video mostly replicates the dependable environment of traditional TV, which 42% of U.K. respondents said in a recent study instilled a sense of trust around ads⁽¹⁵⁾, and away from the less secure practices of the broader digital market. This content is also more likely to be viewed on larger screens and through more secure platforms and environments.

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CHART 5

Most Likely Media to Find Trustworthy Advertising



SOURCE Thinkbox, TV Nation / Ad Nation: Attitudes, Behaviours and Motivations, 2016

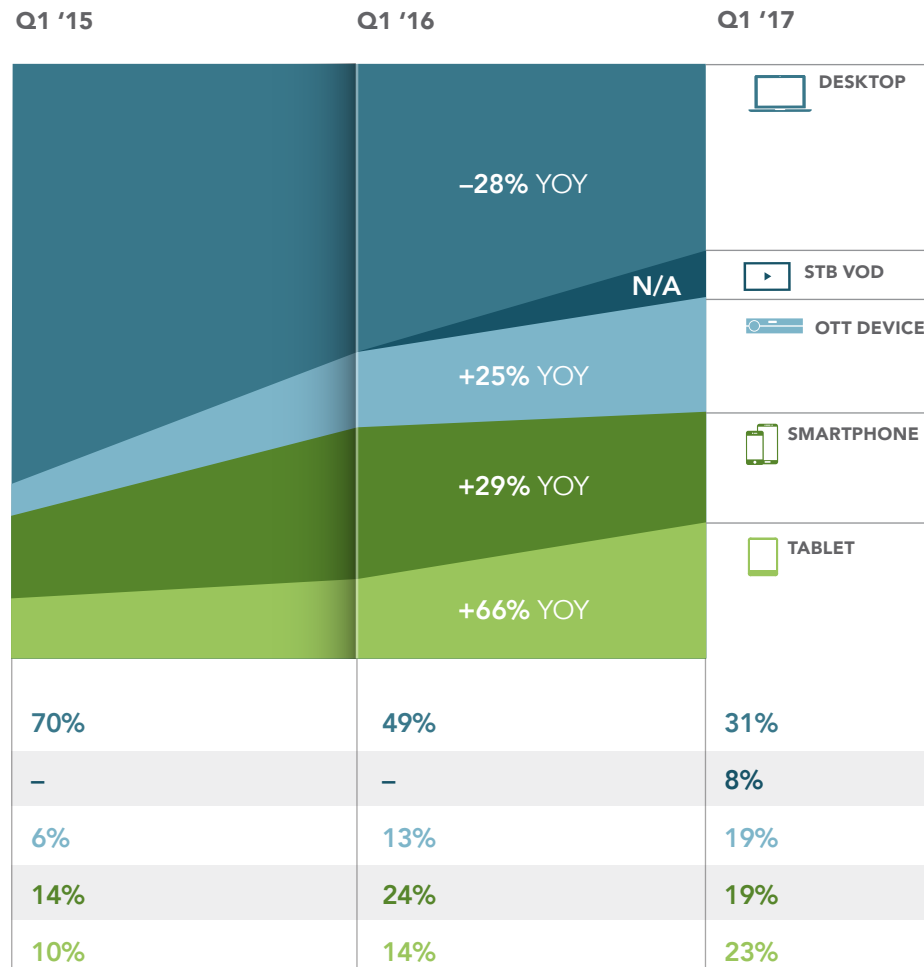
Across Europe, premium video advertising volume is now more equally shared across mobile, desktop and the living room, driven by strong, continued growth of viewing via VOD and OTT devices⁽¹⁶⁾. With the added benefit of connecting brands with trusted media organisations, and comprehensive visibility into VOD ad placements, it's no surprise that marketers' spend on this channel is soaring in the European region: last year VOD investment topped €100+ million in Germany, €150+ million in France, and £197 million in the U.K.⁽¹⁷⁾.

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CHART 6

Ad View Composition and Growth by Device, Europe

Q1 2015 VS Q1 2016 VS Q1 2017



SOURCE The FreeWheel Video Monetization Report: Q1 2017

MEASUREMENT:

Premium Video, a Distinct Marketing Channel

Beyond engagement metrics, we have an additional challenge as an industry: the absence of universal standards for OTT and VOD measurement and verification. The central problem is existing standards, such as the Video Player-Ad Interface Definition (VPAID), have limited utility when it comes to delivering and measuring video ads across platforms and even baseline metrics like viewability.

This has led to advertisers restricting their investment in these highly valuable environments due to the need for consistent metrics across all channels, despite the untapped opportunities available. Premium video is a distinct marketing channel and given the nature of OTT and set-top box content being viewed on the big screen, advertisers should consider the clear value of the incremental reach and engagement. Insisting on the application of desktop and long-tail centric metrics to environments that don't measure them at the expense of investing in TV-like ad experiences feels counter-productive.

There is an opportunity for advertisers to be more flexible in terms of verification, but let us be clear: challenges do remain in measurement in these newer viewing environments. Cross-screen identifiers, and co-viewing, where the living room TV becomes a shared entertainment space, does make unique identity and true advertising value challenging to define.

“The increase in OTT and VOD video consumption is very promising news for marketers looking for ways to connect the dots across their advertising portfolio. All evidence suggests that OTT and VOD inventory is significantly more trustworthy. However, a campaign is only as good as its performance, and there are limitations around measurement, although some solid strides are being made particularly in North America. A more infrastructural change will need to happen in European markets in order for us to see equivalent levels of, for example, cross-device measurement between TVs and other devices, which will take time.”

–Ed Lyon, Programmatic Director, Essence

Indeed, advances are being made towards more accurate and consistent measurement. The various measurement companies around Europe such as Médiamétrie, SKO, AGF and BARB are working diligently to create more audience-focused measurement services for multi-screen video. Through a combination of panel measurement (hardware and software) as well as site metrics, they aim to identify which household members watched certain programmes as well as the programme performance. As new measurement models continue to develop, the FWCE believes that the rest of the industry will recognise the need to come together, across stakeholder and even market boundaries, to push for consistent and more effective measurement.

Delivering a Premium Ad Experience

Ad blocking is a persistent thorn in the side for the digital advertising ecosystem. The 2017 PageFair report shows its prevalence in Europe is steadily increasing, with adoption in Germany now at 29%, Poland at 33%, Spain at 19%, the U.K. at 16%, and France at 11% ⁽¹⁸⁾. Across the globe, usage has risen by 30% in the last year.

Predominantly, its causes can be traced to issues in long-tail environments that diminish user experiences, such as inadequate measures to limit low quality (and even fraudulent) advertising and pages cluttered with ads from open exchanges. In stark contrast, premium content has always been subject to robust quality controls that maintain high advertising trading and execution standards. Deals are typically direct, with visibility into who buys what from whom, where it will be placed, and more stringent transactional checks. Functioning as part of the TV framework, premium video benefits from television's long-established value exchange whereby TV ads are accepted as necessary to fund great content, and familiarity of ad experiences drive higher tolerance levels.

Yet, once ad blockers are installed the effect can impact all digital content, which means premium video ads served on desktop, laptop or mobile can be caught in the crossfire. To counter this, premium video providers are working to restore balance in the ecosystem for audiences and advertisers by providing even better advertising experiences.

Premium video providers are already adept at delivering curated ad experiences. They acknowledge that consumers plug into VOD and OTT services because they want to watch content on their own terms and providers have created an evermore versatile array of viewing options: from sophisticated playback functions and streamlined access to enhanced customisation.

In a world of infinite choice, shorter attention spans and viewers growing accustomed to subscription services, premium video providers are laser-focused on developing new ways of ensuring consumers not only accept, but also actively engage with ads:

1. Guarding against overexposure

Consumers don't want to see the same ads repeatedly, especially not in a single viewing session. To avoid overexposure, premium video publishers are actively testing and limiting frequency; FreeWheel analysis in the U.S. has shown most providers are now capping ad delivery at two instances per programme episode ⁽¹⁹⁾. This is an effective means of ensuring disproportionate repetition doesn't devalue the user experience.

Frequency capping isn't infallible and it is crucial that publishers work with advertisers to deliver creative diversity, deploy tools such as dynamic ad rotation to prevent repetition and ensure that experiences always feel fresh.

2. Tailoring ads to match viewer habits

Every viewer has unique content preferences. Some may exclusively watch short clips on mobile devices, others long-form content on their TV screen. For ads to be positively received, they must be adapted to each context and individual expectations. In recognition of this, premium publishers are moving towards tailored experiences that adjust the size, type, length and choreography of video ads for different content, screens and platforms — be it short-form or long-form, desktop, tablet or TV — so that ads are regarded as a seamless and welcome part of the viewing experience, on any channel.

3. Keep optimising creative calibre

Working closely with advertisers to ensure ads are engaging for users and optimised to meet campaign goals is essential. As audience habits and interests become increasingly complex, premium publishers are striving to work even more closely with the buy-side to make sure messages strike the right chord, as well as expanding their array of messaging so that advertisers can match individuals with the ad types most likely to pique their interest.

4. Take ad insertion server-side

There is a means of outmanoeuvring the blockers: Server-Side Ad Insertion (SSAI) — where ad creative, often served mid-roll, can automatically be switched out and replaced with a different ad according to audience demographics and other contextual variables, such as external events or even the weather. By dynamically building ad creative within — and serving it from — the cloud, SSAI bypasses ad blocking detection software.

Of course, raising the bar for ad quality is not the responsibility of premium video providers alone. If the industry wants to eradicate poor quality advertising, while growing the opportunity for engaging ad experiences, there must be a combined effort to improve standards and make sure they are sustained. Only then will there be enhanced value for audiences, publishers, and advertisers in the online ecosystem.

CONCLUSION

In a time of overwhelming content choice and competition for audience attention, premium video not only delivers high engagement, but also does so in a brand-safe, viewable way.

It's also free from the problems that afflict the rest of the digital space. Research shows that fraud levels are essentially non-existent and with a higher proportion of ad views generated in the living room via OTT and VOD, brands can be assured of the quality and security that comes with advertising in TV-grade environments.

Yet while viewability exceeds most current standards, the continued use of this metric as the determining factor of premium video performance is limiting its potential, especially when applied in areas where viewability can't be measured—such as OTT—which casts the engagement value of premium video into the shadows.

“The industry has been distracted by point metrics more appropriate for lower-value impressions, which have restricted the growth and utility of premium video. Now, it's time to place more emphasis on measuring and improving engagement, and using the power of premium video to deliver experiences that keep audiences coming back. As a brighter alternative to the long-tail advertising where players have lowered quality, premium video offers an opportunity for brands to make the most of high-calibre content and genuine audiences in well-lit environments.”

—Martin Michel, General Manager, Sky Media Germany

The FreeWheel Council for Premium Video Europe intends to shine a light on some of these issues that are holding us back and we look forward to engaging with buy-side entities and industry bodies that make up this ecosystem, to find ways to move us forward. We will continue to bring perspective from the premium publisher community but welcome the opportunity to collaborate with the rest of the industry to help all boats rise.

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About The FreeWheel Council for Premium Video, Europe (FWCE)

The FreeWheel Council for Premium Video Europe (FWCE) was formed in June 2017 to serve the interest of those in the premium video industry through leadership positions, research and advocacy. Aligned to the FWC formed in North America in 2015 (with members such as ABC, Fox and NBCUniversal), the FWCE at launch consists of 13 members: Canal+ Régie, Channel 4, Discovery Networks International, Medialaan, MTG, Nelonen, Proximus, RTÉ, SBS Broadcasting, SFR Régie, Sky Media UK, Sky Media Germany and TF1 Publicité. Across both Europe and North America, the FWC operates as an educational and organising 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.

Special thanks to all those who contributed to this paper.