

UK Mobile & Video Advertising Truths

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EXECUTIVE SUMMARY

Predictions say this will be the year mobile devices will overtake desktop devices as the primary platform for viewing online video content. Mobile video consumption is predicted to grow 33% in 2017, furthermore, in 2018 mobile devices will account for 64% of all online video views, (according to *Online Video Forecasts 2016* by Zenith).

In the UK the growth rate of ad spend on mobile video advertising has been above exponential levels over the past 3 years. In 2012 ad spend was £15.6m, in 2014 it had risen to £164m, by 2015 budgets have been stretched to £353m (Statista: <http://www.statista.com/statistics/435846/mobile-video-advertising-spending-uk/>).

Conversely, the share of total programmatic digital display advertising expenditure for desktop and laptop in the UK, is in decline. In 2013 it commanded 64.9% of spending, a figure that fell to 43.9% in 2015. In 2016 this share is 41.3%. Although budgets for digital display advertising are increasing, this is largely geared towards mobile and tablet devices (Statista: <http://www.statista.com/statistics/435846/mobile-video-advertising-spending-uk/>)

With mobile video's increasing prevalence, marketers will allocate larger proportions of their budgets to video advertising. Moreover, there are numerous opportunities for innovation around areas such as VR video, 360 video, and location based video.

As with any growth market, there will be hurdles to overcome if mobile video is to reach its full potential. For example, designing stronger tracking solutions and developing quality inventory in a variety of formats. Despite this, as the number of mobile internet users in the UK grows (8% growth year-over-year between Q2 2015 and Q2 2016), it is evident mobile video is a big opportunity for both the buy- and supply-side (Statista: <http://www.statista.com/statistics/277719/forecast-of-mobile-internet-users-in-the-united-kingdom-uk/>).

This report reveals how media buyers and media sellers are embracing the mobile and video opportunity. Despite the challenges that exist; we see there is a high level of satisfaction across the industry. Furthermore, there is a strong desire to foster continued growth driven by innovation.



Rebecca Muir

Head of Research and Analysis, ExchangeWire Research

FOREWORD BY RUBICON PROJECT

Without question, video is an incredibly effective format for consumer engagement. It has the ability to engage multiple senses at a time, including the non-verbal ones that often speak the loudest. It speaks to human beings' primordial connection to storytelling and narrative. And from a more utilitarian perspective, video is also proving to be a highly effective format for engaging consumers on the mobile devices they've adopted in droves.

The power of the medium itself is a foregone conclusion: video is at once a longstanding pillar of advertising and decidedly of the digital era, rife with potential for innovation. Although we've long been able to target consumers across media based on their behaviours, brands still value context and media adjacency. Brands and their agencies select video placements — whether they're on specific sites, site categories, or mobile app categories — for a reason. That choice is key to the overall video experience. Programmatic buying and automated workflows present incredible opportunities for executing digital video campaigns. As connected devices proliferate, the opportunities to take advantage of a robust and expanding canvas of digital screens are plentiful. The fact is that the type of coordination and sequencing required to creatively execute campaigns across multiple screens can only be achieved through automation.

The research findings echo this industry-wide excitement about digital video advertising: 9 in every 10 media industry professionals, both buyers and sellers, say video ad spend will eclipse spend on static formats in 5 years time. This growth is seen to be even more rapid amongst a healthy contingent who think that video ad spend will overtake static format spend in just 2 years time.

Recognising the growth of both mobile advertising and of the rapid consumer shift towards watching video content on their mobile devices, we deployed a video strategy focused on a mobile-first video solution, to offer buyers and sellers access to every mobile video advertising format in the market. Purpose-built video for the mobile ecosystem is as integral to advertisers as it is for content creators, and as such, innovation in mobile video is key to its success in a highly competitive marketplace.

We also saw an interesting revelation in the number of partners that buyers and sellers worked with in the mobile video marketplace. Buyers sought to work with considerably more partners so as to optimise their reach, opportunity and options. Conversely, more than 85% of sellers chose to work with 1–6 partners, which speaks to the notion of sellers looking to streamline their inventory management and work with partners who can support them across their entire inventory value chain, rather than seeking out multiple point solution providers.

I believe this research demonstrates that digital video is premium, inherently valuable, incredibly promising, worth brands' and publishers' creative and strategic energy, plus worthy of being a tentpole of brands' digital advertising strategies. As technology partners and media sellers strive to provide brands with dynamic formats through which to reach consumers we hope to see these numbers grow as predicted, but for video advertising to truly reach its potential, it requires a collaborative, supportive approach from all sides of the ecosystem.



James Brown

Managing Director of UK & Nordics — Rubicon Project

FINDINGS

One in four media professionals think video ad spend will eclipse spend on static formats in just two years

The vast majority (95%) of buy-side respondents say video ad spend will eclipse spend on static formats in 5 years time. The media seller group share this view with 89% in agreement.

More than a third (36%) of buyers and over four in every ten (42%) of sellers think the eclipse will come in just 2 years time.

This shows that, despite the obstacles to digital video ad growth, both sides have confidence these will be overcome. Growth over the next 5 years will be driven by the value realised by media buyers, and the desire within the media sales community to match demand to supply — through education and innovation.

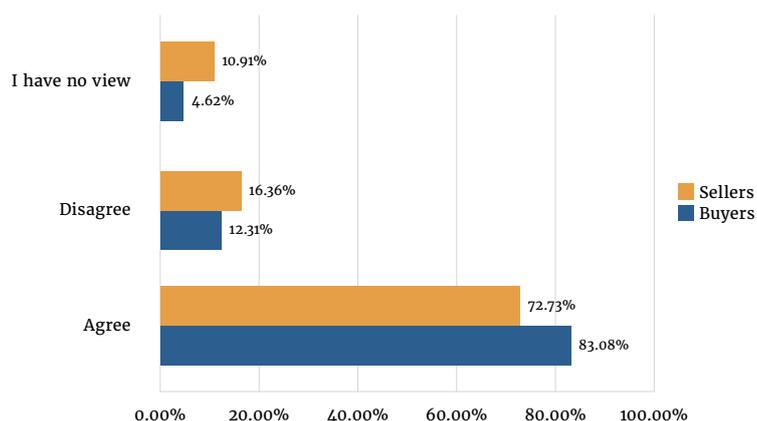
Video advertising is more engaging compared to traditional banners

Likewise, media buyers are more positive about video advertising — 83% say video formats are more engaging compared to traditional banners. A view shared by a slightly smaller sub-set (72%) of media sellers.

The fact that both sides of the trade view video in a more favourable light compared to traditional banners bodes well for the future of video advertising.

As discussed later, the difference in how each group defines ‘value’ is likely the driver behind the 11 percentage point gap between media sellers and media buyers.

Video advertising is more engaging compared to traditional banners



Publishers think there is more they can do to maximise the mobile video opportunity

There is a disconnect between media buyers and media sellers’ opinion about whether publishers are doing enough to maximise the potential of mobile video advertising. Again, the buy-side has a more positive view.

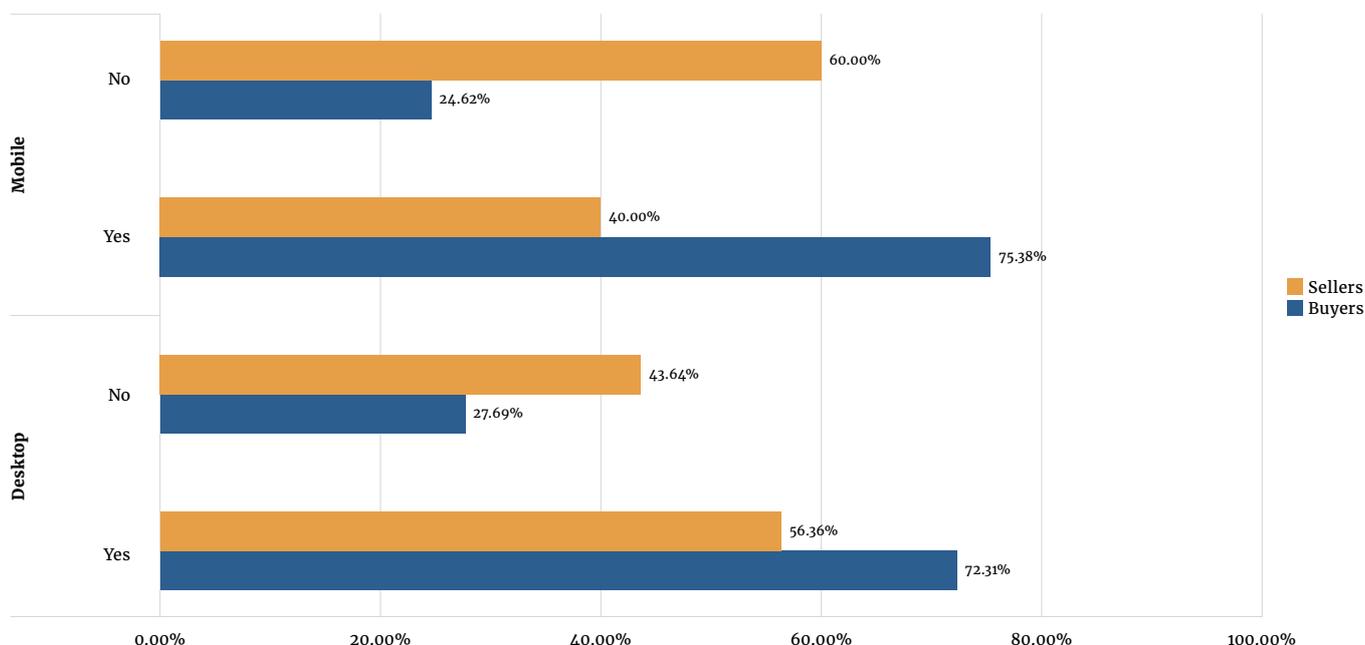
Three quarters (75%) of media buyers think publishers are doing enough to foster the growth of mobile video; only 40% of media sellers agree. We hypothesise this difference in opinion exists because publishers are at the coalface developing the capabilities to serve more innovative mobile video ads, across more targeted audiences. This means they have a much better view of the potential compared to media buyers, therefore they are more cautious when

evaluating whether they are doing enough. Furthermore, only a quarter of media sellers (25%) feel the mobile video opportunity is maximised.

Additionally, publishers are on a continuous quest to increase revenue from online advertising (mobile and desktop) due to declining revenues elsewhere, e.g. print. The lower CPMs for mobile video ads; plus the fact that consumers are migrating to mobile devices to consume large amounts of video content, means total online revenue is compromised. Therefore, it stands to reason that this group is more inclined to believe they need to be doing more when it comes to growing mobile and video ad formats.

The relatively large difference in opinion is likely to be a result of the different perspectives of publishers and buyers. With publishers at the coalface of development they have a much better view of the potential compared to media buyers.

Are publishers doing enough to foster the growth of video advertising in mobile and desktop?



Desktop video:

Media sellers are much more positive about publishers' efforts to foster the growth of desktop video advertising. More than half (56%) of media seller respondents say publishers are doing enough to nurture the growth of the market. Media buyer faith is marginally higher when it comes to desktop video growth driven by publisher efforts but it is still an impressive 72%.

The seller group may be more confident about desktop video due to its relative maturity compared to mobile video.

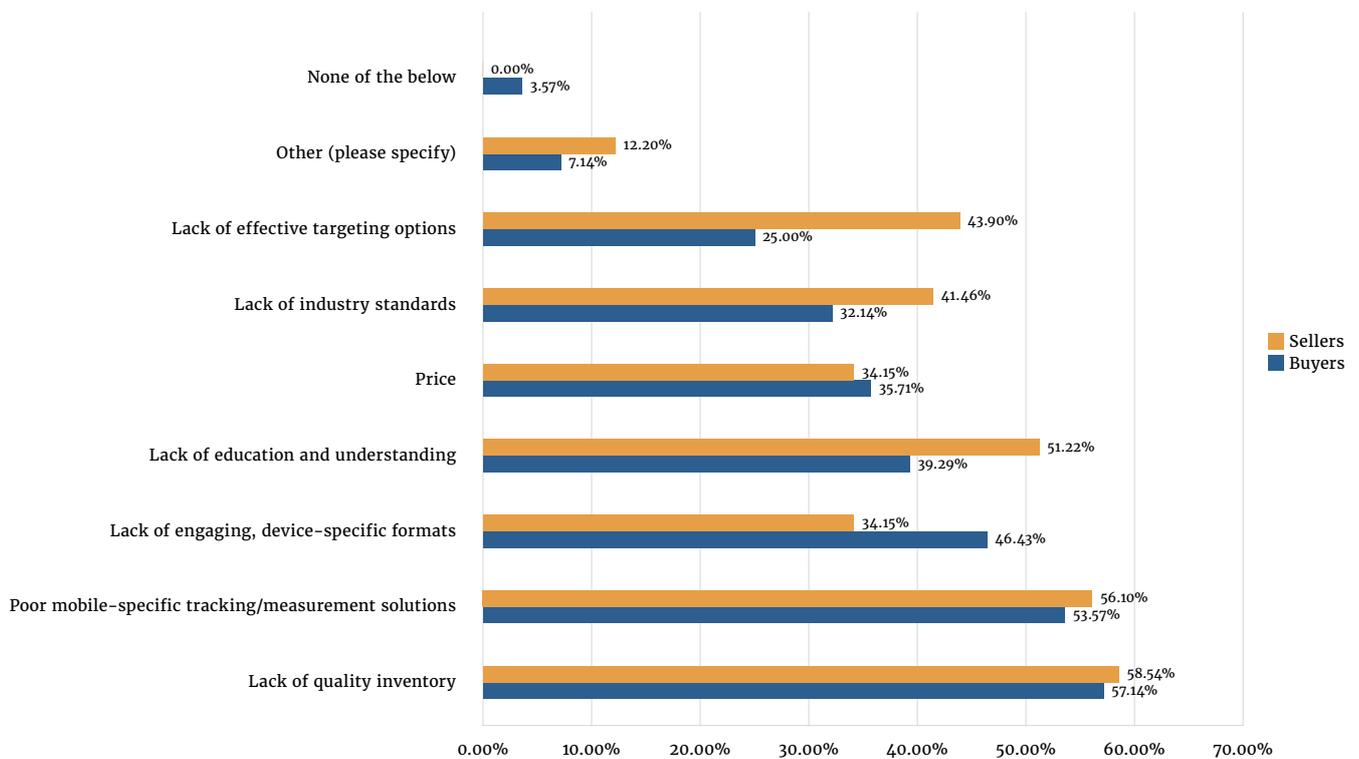
A lack of quality inventory is holding back the growth of mobile video advertising

Both the buy-side and the sell-side consider a lack of quality inventory to be the main obstacle hindering the growth of mobile video ads (57% and 59% respectively).

Media buyers also suggest that slow growth in this platform could come from another sell-side issue — almost half (46%) feel a lack of engaging device specific formats is a significant factor. This is understandable, as buyers are continually looking for ways to better engage their core audiences. To do this, they will want publishers to develop device-specific formats to enhance targeting and engagement.

In contrast, media sellers feel that media buyers are slowing the growth of mobile video advertising. More than half (51%) of this group feel a lack of education and understanding among buyers could be a hindrance.

Which of the following factors do you think are holding back the growth of mobile video advertising?



Later in this report on page 11 we see that media buyers awareness of mobile video ad formats is relatively low. Education from publishers should focus on the development of new mobile video formats, measurement opportunities and the ability of mobile video to achieve engagement and ROI goals.

Only a quarter (25%) of buyers think a lack of effective targeting options are a factor, compared to 44% of media sellers. This points to higher levels of satisfaction with current offerings on the buy-side and an understanding of unused capabilities on the sell-side.

Our next finding reveals that media sellers place a lower value on mobile advertising compared to media buyers. Here we see support for this hypothesis — 34% of media sellers consider price to be a serious issue in holding back the future growth of mobile advertising.

Media professionals in the UK believe mobile advertising is more valuable than desktop advertising

More than 8 in every 10 (83%) media buyers (advertisers and media agencies) and almost two thirds (60%) of media sellers (publishers and ad networks) agree that mobile advertising offers greater value compared to desktop.

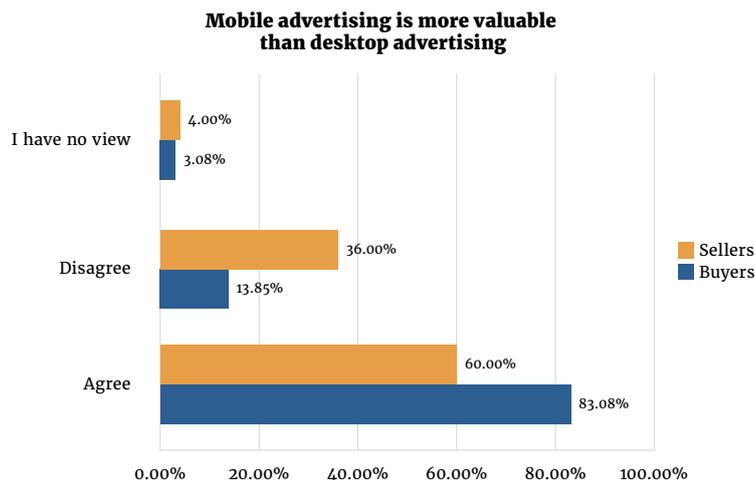
For media buyers to conclude that any form of media is valuable, the gains — such as engagement, viewability, CPC — are measured against the cost. Therefore, it is not simply that the lower cost of mobile ad impressions is creating a positive view of value for buyers. The value is also coming from reach, targeting and measurement against KPIs.

Meanwhile, media sellers find value in the revenue they make from selling ad impressions. Currently, mobile inventory is sold at lower cost per thousand impressions (CPMs) compared to desktop, therefore, it is not surprising that a smaller proportion of sellers see greater value in mobile advertising compared to desktop.

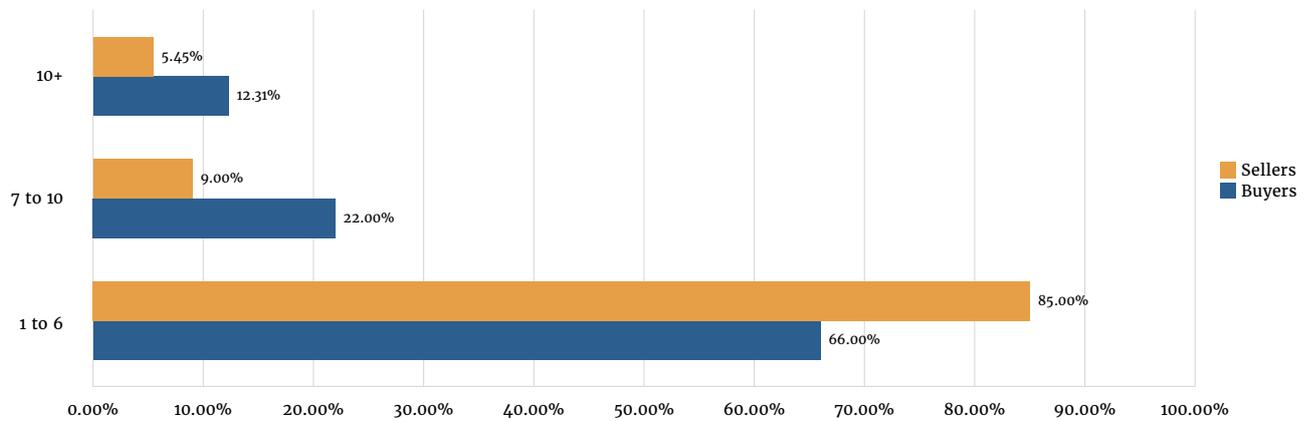
Buyers work with a greater number of partners in mobile video

The majority of both groups (66% of buyers and 85% of sellers) work with between 1 and 6 partners in mobile advertising.

When we look at the incidence of those working with 7 to 10 and 10+ partners, we see that media buyers are more likely to work with more than 6 partners compared to media sellers. Almost a quarter (22%) of buyers work with 7–10 partners and 12% work with more than 10. This falls to 9% (7–10) and 6% (10+) in the media seller group.



How many partners do you work with in order to buy or sell mobile video advertising



One factor behind this difference is the fact there are fewer sell-side platforms compared to buy-side. This is because there are more buyers in the market compared to sellers, therefore there is room for more competition.

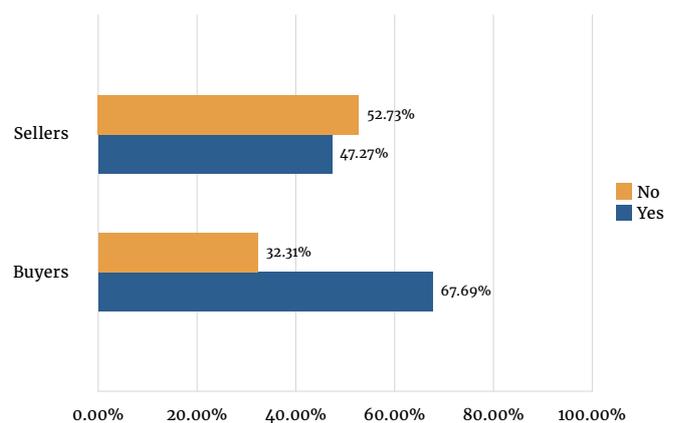
Buyers, looking for new ways to engage audiences, increase reach and use highly specialised ad formats, seek more partners because each supplier promises a different set of capabilities. On the other hand, media sellers, typically use fewer partners in order to streamline their inventory management. Streamlining is vital for media sellers who face declining revenue from offline that needs to be offset by online. Automation provides a cost saving opportunity because it reduces the number of people required to execute campaigns. The ability for buyers to use a self-serve platform to buy campaigns means that sales teams can be reduced in size too.

Supply and demand

The majority (67%) of media buyers say mobile video advertising inventory is sufficient to meet demand. This ties into the data that reveals that 56% of buyers feel mobile video has reached its potential.

Media sellers take a different view. The majority (53%) feel there is insufficient inventory, testament to the fact they believe mobile video advertising has not yet peaked. This group believes that there are new capabilities to be explored within mobile video advertising, and that this means inventory is not yet at its optimum to meet heavy demand from advertisers.

Do you think there is sufficient mobile video advertising inventory available to meet the demand from advertisers?



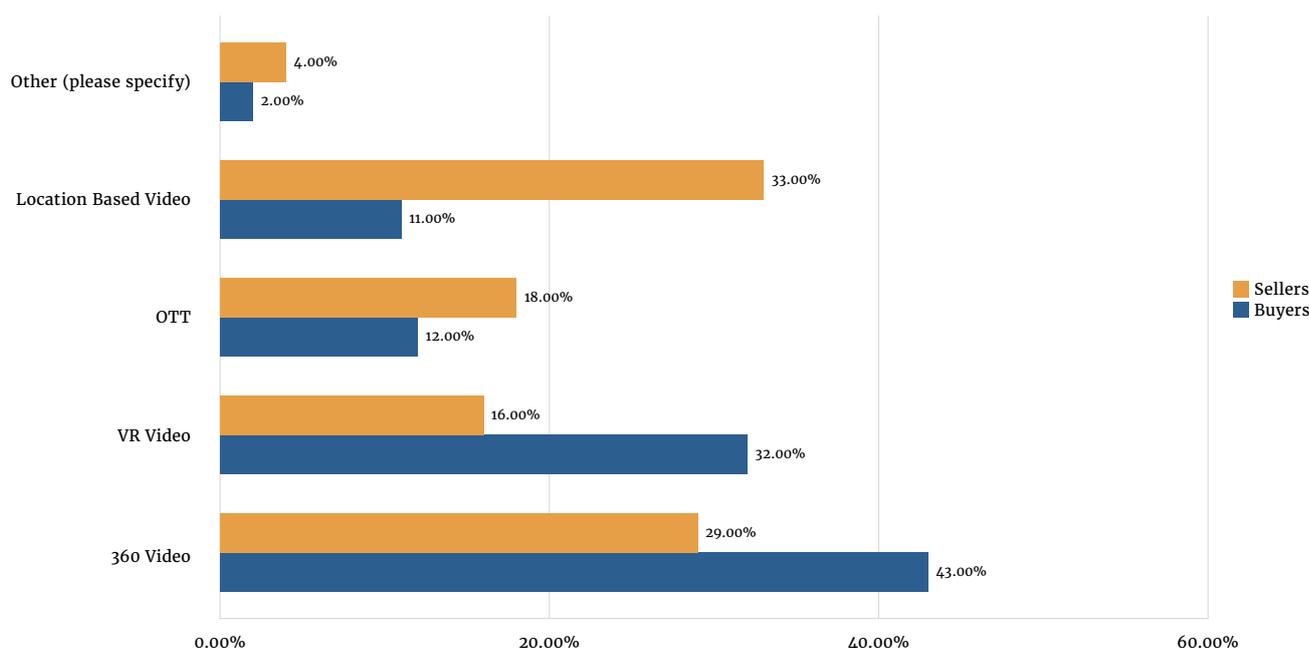
Buyers and sellers divided over what will be the next big thing in video

The areas that buyers and sellers' believe will be the next big thing in video advertising differ greatly. There needs to be a fluid conversation between buyers and sellers about what buyers are looking for moving forward, so that media sellers can focus development efforts in these areas and buyers are making the most of the offerings made available by sellers.

As we said on page 8, the value of a campaign for media buyers lies in how effectively and efficiently they can engage target audiences. This means they have a natural bias towards more immersive formats, that prioritise customer experience. The most exciting of these include 360 video and VR video, both of which media buyers feel will be big growth areas for video advertising.

Media sellers, meanwhile, are more in tune with the potential of data to show targeted, location based videos. The nature of media selling means they are more aware of the opportunities around this platform than media buyers. Buyers, on the other hand, are focused on developing a campaign that is engaging anywhere, on any device.

What do you think will be the next large video growth area: (Buyers vs. Sellers)



Location based video got the highest number of votes from media sellers (33%) three times higher than the media buyer group.

Buyers favour 360 video with 43% in favour of this innovative and relatively new format being the next big thing. A healthy, but smaller 29% of sellers agree.

Another area where we see a big disconnect is VR video. Again buyers favour the innovative immersive new format over their seller counterparts (32% vs. 16%).

Sellers are more experienced across a variety of video ad formats

Generally, sellers are more aware of new video formats than buyers, and as discussed before on page 8 have dealt with more partners than buyers, likely in a quest to discover new capabilities. In addition, media sellers are driven to come up with new ad formats and create greater levels of supply than demand in the marketplace.

If this higher level of supply is to be matched by demand, media buyers need to be educated as to how best unlock and utilise these new formats.

Ad Format	% of media buyers who have purchased this format	% of media sellers who have sold this format
Expandable Video (Desktop)	52%	52%
Expandable Video (Mobile)	48%	53%
Pre-Roll Video (Mobile)	46%	60%
Interstitial Video (Mobile)	44%	47%
Mobile web/app: Native Video	44%	36%
Mobile web/app: InLine Outstream Video	44%	51%
Mobile web/app: Vertical Video	42%	42%
Pre-Roll Video (Desktop)	42%	59%
OTT / VOD	38%	46%
Interstitial Video (Desktop)	30%	40%

SUMMARY AND CONCLUSIONS

The findings of this research show there is a very positive outlook for mobile and video advertising in the UK.

- Both media buyers and media sellers see mobile and video ad formats bringing value to their business despite differing definitions of value
- Video ads are seen to be more engaging and mobile is perceived to offer better value compared to desktop in terms of campaign performance and revenue

Video ad spend is predicted to eclipse traditional ad formats

Nine in every 10 industry professionals on both the buy and sell side say video ad spend will eclipse spend on static formats in 5 years time.

More than a third (36%) of buyers and over four in every ten (42%) of sellers think the eclipse will come in just 2 years time.

Growth in ad spend is likely to come from:

- Increased location based video opportunities
- 360 video
- VR video

State of the market today

The buy-side tends to have a more positive view of the state of the mobile and video market today compared to the sell-side.

The main differences are:

- Media buyers are more likely to believe publishers are doing enough to foster growth in mobile and mobile video
- Whereas, media sellers are more positive about their own efforts to foster the growth of desktop video advertising

We hypothesise this difference in opinion exists because media sellers are at the coalface developing the capabilities to serve more innovative mobile video ads, across more targeted audiences. This means they have a much better view of the potential compared to media buyers, therefore they are more cautious when evaluating whether they are doing enough.

Furthermore, the seller group may be more confident about desktop video due to its relative maturity compared to mobile video.

When looking for new ways to engage audiences, increase reach and use highly specialised ad formats, buyers have been working more partners (compared to sellers) because each supplier promises a different set of capabilities.

Seeking to streamline their ad sales business and maximise profit, media sellers, typically use fewer partners.

It is therefore highly likely that buyers will shift to seeking unified platforms as they realise the relative inefficiencies that come with fragmentation.

Overcoming Challenges

Both media buyers and sellers have confidence the barriers faced in mobile and video advertising will be overcome, largely through the pillars of education, innovation and support.

Media sellers feel that media buyers are slowing the growth of mobile video advertising. More than half (51%) of this group feel a lack of education and understanding among buyers could be a hindrance. Furthermore, buyers show a propensity to be less informed about video ad formats.

Media sellers also hold a different view to buyers when it comes to supply and demand. The majority (53%) of media sellers feel there is insufficient inventory, testament to the fact they believe mobile video advertising has not yet peaked.

Growth over the next 5 years will be driven by the value realised by media buyers, and the desire within the media sales community to match demand to supply — through education and innovation. We believe that education is required from publishers and that it should focus on:

- Ensuring that media buyers recognise the premium video inventory that is available — especially on mobile devices
- Development and scalability of new mobile and video formats
- Measurement opportunities
- The ability of mobile video to achieve engagement and ROI goals

SAMPLE AND METHODOLOGY

This report is based on a survey of 120 digital marketing professionals from the UK. Information about the survey was emailed to ExchangeWire's subscriber base of digital technology and marketing professionals, and promoted online via the ExchangeWire website, Twitter, and LinkedIn, during August 2016. Rubicon Project also distributed the survey to their clients and prospects in the UK.

If you have any questions about this report, please contact Rebecca Muir, Head of Research at ExchangeWire via email to becca@exchangewire.com.

ABOUT RUBICON PROJECT

Founded in 2007, Rubicon Project's mission is to keep the Internet free and open and fuel its growth by making it easy and safe to buy and sell advertising. Rubicon Project pioneered advertising automation technology to enable the world's leading brands, content creators and application developers to trade and protect trillions of advertising requests each month and to improve the advertising experiences of consumers. Rubicon Project is a publicly traded company (NYSE: RUBI) headquartered in Los Angeles, California.

ABOUT EXCHANGEWIRE

ExchangeWire tracks global data-driven and programmatic advertising, media buying trends, and then ad tech and mar tech sectors. Delving deep into the business of automated media trading and the technology that underpins it across multi-channels (online display, video, mobile and social), the site aims to keep readers up to date on all the latest news and developments.

ExchangeWire provides opinion and analysis on the following sector companies: specialist media buyers, ad traders, ad networks, media agencies, publishers, data exchanges, ad exchanges and specialist ad tech providers in the video, mobile and online display markets.

Reflecting the growing prominence of programmatic advertising, in 2014 ExchangeWire launched a new company division — ExchangeWire Research — to help marketers better understand how it fits into the wider marketing mix.

Conceived by Ciaran O’Kane, CEO of ExchangeWire and Rachel Smith, COO of ExchangeWire, ExchangeWire Research is headed up by Rebecca Muir, Head of Research and Analysis. The unit uses its proprietary technology and unique industry data sets to offer global data and insight on the marketing technology, advertising technology and programmatic advertising sectors.