VIDEO WORKS

videology®

GAIN THEORY

THE FUTURE OF VIDEO

In a world of fragmentation caused by the emergence of multi-device TV and video consumption, convergence becomes the goal for marketers as they navigate how to build brands at scale, and with relevance.

This means re-evaluating the way TV & video are planned as underlying panel based data sets cannot keep up with the rapid change in consumer behaviours. It also means changing measurement frameworks to account for how audiences are interacting with more connected media channels like video. Last year, we saw several agencies and brands really start to crack the code for ROI measurement for video which is reflected in the growth of more direct response tactics for multichannel video.

We keenly recognise the need to continuously prove and demonstrate the effectiveness of video. For this study we partnered with Gain Theory, a leader in econometric measurement, to analyse the impact of video in driving offline sales for a number of brands over a significant time period and across multiple campaigns.

The results quantified some well-known truths, such as the majority of sales take place offline. No surprises there, but the impact on ROI by inventory quality was far more marked than even we expected. Broadcast video really matters. Video as a medium certainly works - with every case study showing a positive ROI. The great news for brands is that video not only complements TV with cost effective reach and brand uplift, but critically, it also empirically directly impact sales.

Rich Astley
MANAGING DIRECTOR, UK

"BROADCAST VIDEO REALLY MATTERS"

HOW DOES VIDEO IMPACT SALES?

How do you measure the effectiveness of video? It entirely depends on your campaign objective, whether brand uplift, incremental reach, effective cost-per-reach-point or sales. These objectives should in turn inform and frame your execution and optimisation strategy.

For this research, our objective was to understand how video impacts sales. Videology selected Gain Theory to measure the ROI of video and drive a deep understanding of the influencing factors, so collectively, as an industry we can make smarter investment decisions.

Gain Theory, is a marketing foresight consultancy that brings together data, analytics, technology solutions and consumer insight capabilities. Gain Theory are perfectly placed to combine 1st party offline point of sale data, the wider media mix live at the same time, Videology campaign data with independent and robust analysis.

To generate the most accurate and insightful analysis, research must move away from small sample sizes, heavily modelled analysis and last click wins attribution of online only sales. It is critical we understand the complementary nature of the media mix. Not just simply work in silos.

Therefore we tasked Gain Theory to measure:

THE EFFECTIVENESS OF VIDEO

HOW INVENTORY QUALITY INFLUENCES ROI

THE OPTIMAL MEDIA MIX TO MAXIMISE ROI

METHODOLOGY

A robust methodology using Videology campaign data, media mix investment data and 1st party advertiser sales data analysed independently by Gain Theory.

Gain Theory are a global marketing foresight consultancy that brings together data, analytics, technology solutions and consumer-insight capabilities to help marketing and insight professionals make smarter, faster, predictive business decisions.

Their goal is to give clients the confidence to make the best marketing decisions now and in the future. Gain Theory's predictive analytics and global team of specialists help simplify the process, distilling complex data and providing a holistic perspective to improve marketing results.

THE RESULTS

To start with, some facts: Gain Theory worked with a number of brands across industry categories, using advertiser first-party data, Videology campaign data, and Gain Theory modelling methodology to establish the results. The objectives were to show the ROI of video, how this compared to TV, and to understand how inventory quality impacts ROI.

The brands in this study had varying budget levels, target audiences, creative styles, and consumers who respond to video and TV in different ways. All brands showed a positive ROI on their video investment, with 95% of sales occurring offline.

Interesting insights emerged when the numbers were analysed in conjunction with TV. The gross revenue ROI of video relative to TV was, on average across our studies, 1.27x higher – so for a brand with a £2 ROI for TV, on average this would be £2.54 for video.

Let's be clear here, video does not unilaterally deliver a better ROI or scale than TV. However video, when part of an appropriate AV (TV + Video) mix, does deliver a more effective ROI. Video certainly complements TV.

However, there was a range to these results. The lowest relative ROI we measured was 0.22x TV, the highest was 2.94x TV.

Why was there such a range? We delve into this in detail on the next page, but we found interesting correlations between ROI and the % of broadcast inventory. Additionally we saw the speed with which TV and video build reach impact the ROI, that video can take longer to build reach than TV, therefore by comparison short burst activity online delivered a lower comparable ROI.

We believe these differences in ROI generation should have a profound impact on how AV should be bought when looking to optimise ROI.

Gain Theory looked at the current % of video as part of the planned AV budget for the brands in this study. This averaged at 5%, ranging from 3% to 8%. An optimal mix, i.e. the mix that delivers the most gross revenue, is on average 12.8%, a huge 156% growth.

To re-state this, brands are currently spending around 5-10% of their AV budget on video. To maximise the ROI from AV investment, the percentage of video, in most cases should increase.

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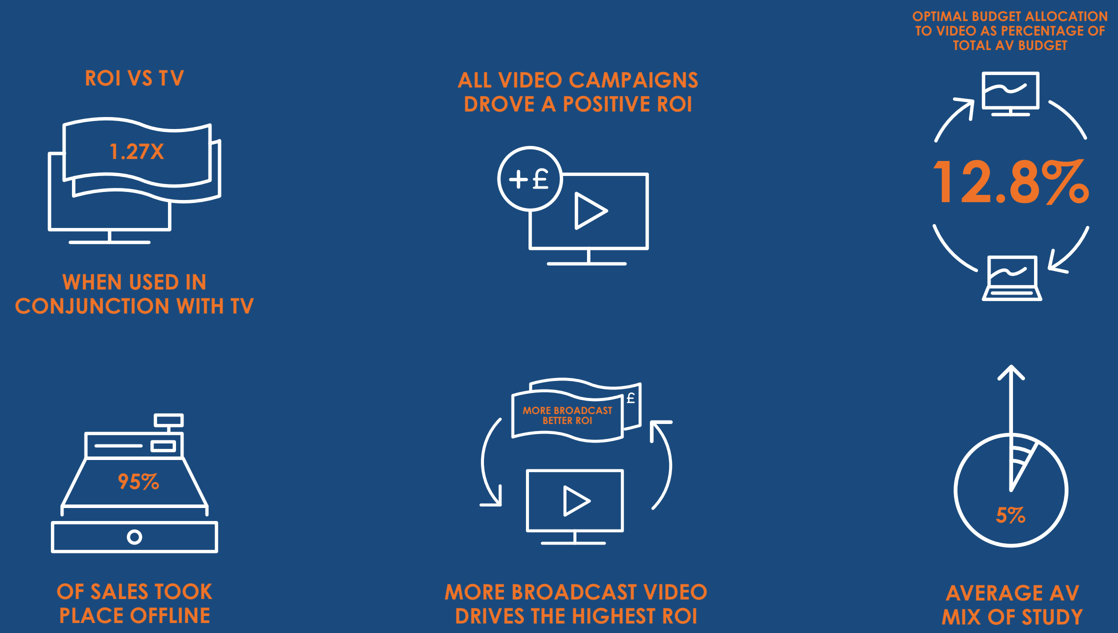
>
> **Matthew Chappell**
> **PARTNER, GAIN THEORY**

VIDEO WORKS



OPTIMAL MEDIA MIX

OPTIMAL MEDIA MIX

The results show that to drive optimal ROI, video investment should increase as part of the AV Mix. On average this value should be 12.8%. But this value is different by brand, so what drives this difference?

CONSUMER RESPONSE TO ADVERTISING

When Gain Theory analysed this data, they found a large variance in how consumers respond to advertising, particularly in effective frequency (EF; i.e. the number of times a consumer needs to see the advert before exposure levels are deemed appropriate) An EF of 2+ has different implications to an EF of 5+.

TARGET AUDIENCE

It goes without saying that the younger the audience, the higher the proportion of video should be. Thinkbox research shows that all individuals spend 62% of their AV consumption on live TV. For 16-24s this figure reduces to 44%, meaning this group are consuming significantly more non-linear viewing. It might also be that while a brand's target audience is all adults, they'restruggling to reach young adults, especially if the EF requirement is high. Therefore an approach that complements TV with video increases a brand's likelihood of improving frequency against hard to reach fragmenting audiences. It's also worth considering video's more effective targeting proposition when you have a niche target audience. It's going to be harder to effectively reach these consumers through TV (or even OOH or Radio), whereas video allows you the capability to effectively pinpoint these consumers.

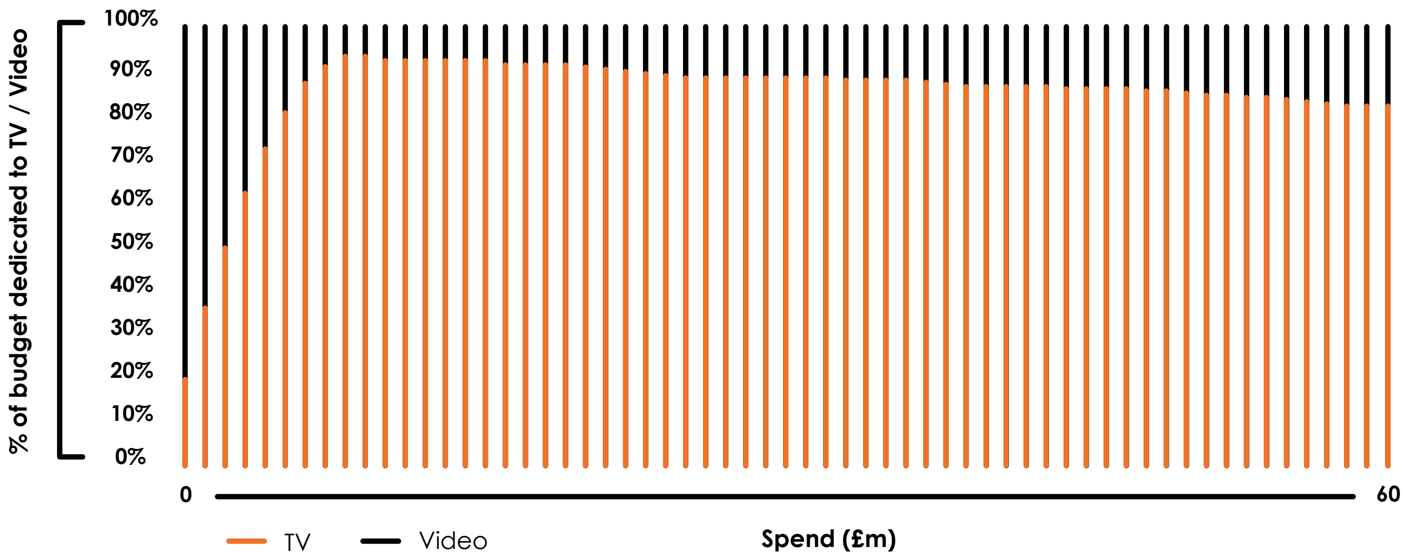
SIZE OF AV BUDGET

The final, most important consideration is size of AV budget (TV + Video). There are three stages. Firstly, with small AV budgets (£0-5m) there is a trade-off between reach and frequency. If we know you have to reach your target audience x times, and that any failure to reach this results in the message not cutting through, then reach will have to be sacrificed to achieve this frequency. This is more easily done with video as, just like with niche target audiences, you can pinpoint a group and manage their viewing frequency via enforced frequency caps, which offline media cannot guarantee. At low levels of spend, video is more effective at building cost effective reach.

When you get to medium levels of AV spend (£5m-15m), TV tends to take the lion's share of AV budget, given the higher reach and lower cost per thousand of this channel. Video will still be effective at driving incremental reach, especially if your EF requirement is high.

Once you move past the £15m mark, you reach diminishing returns of efficiency in TV and video starts to become a larger part of the mix again.

Gain Theory reached this definition by combining results for a number of clients across industries to create the benchmark below:



BROADCAST VIDEO REALLY MATTERS

How does media quality impact ROI? In the world of addressable audience targeting, does context and environment still matter?

Gain Theory used Videology campaign data to separate out ROI performance by inventory quality. Contrasting broadcast video with publisher direct and networks / exchanges. Given it was broadly the same copy shown on different types of inventory quality, with similar targeting applied, the impact was substantial.

Broadcast video delivers a greater ROI

The chart shows that clients who have higher percentages of video budget devoted to broadcast inventory have a higher video ROI relative to linear TV. When broadcast inventory is 5% of the video budget, the video ROI is lower than linear TV. When Broadcaster inventory reaches 60% of the video campaign, ROI relative to TV can be as high as 250% (i.e. video ROI is 2.5x higher than TV). This may not be the same for every brand but was consistent across the brands within this study.

Viewability and player size will certainly have made an impact with broadcast inventory seeing substantially better average viewability and player size than other inventory types.

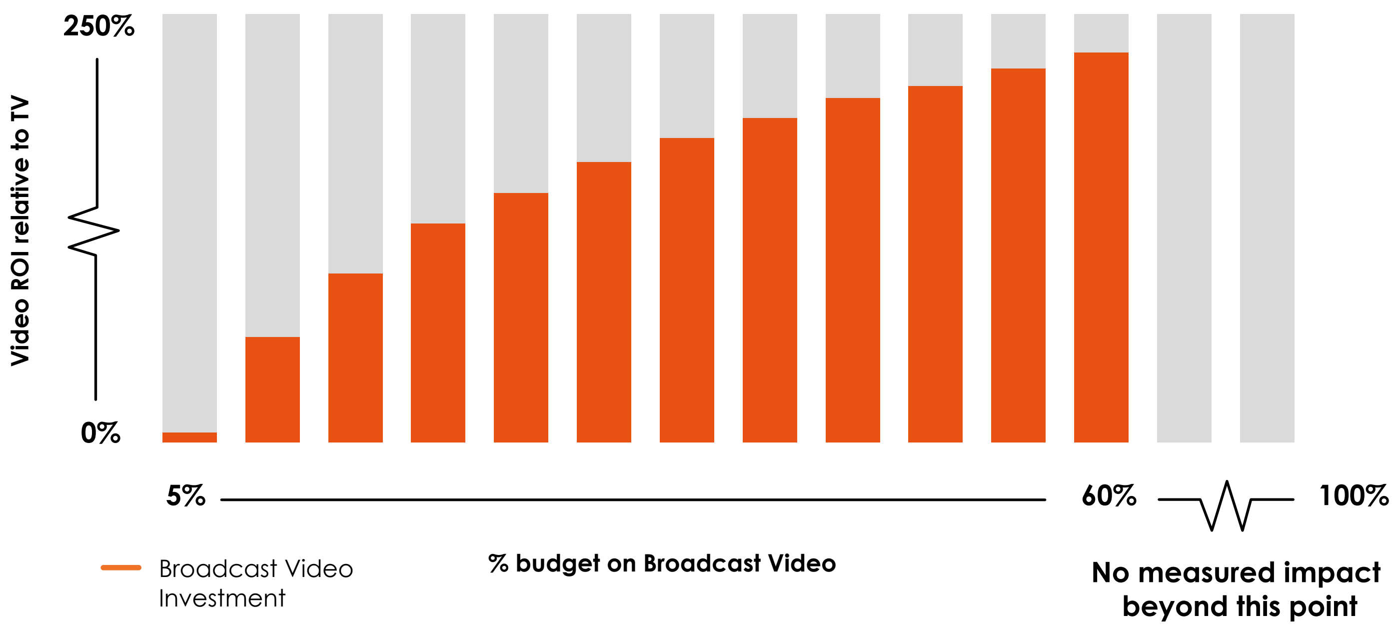
Clearly these three inventory tiers have different average pricing. So despite a pricing correction to take into account quality, broadcast inventory still has outperformed.

All other things being equal the fundamental reason for over performance is down to context, environment and consumer mindset. Broadcast video inventory is the highest quality programming, and most premium environment, which in turn creates the most impactful ad opportunities.

Therefore should you just spend exclusively on broadcast video, if content and context are key? Depending on your KPI broadcast video should play a significant part of the video supply mix. In this case when looking to optimise to ROI, broadcast video has made a significant impact.

Yet there is not an abundance of premium broadcast quality inventory. In order to drive scale and reach, therefore volume of sales, a broader selection of brand safe, bot free and viewable inventory sources is a necessity.

The years of trust, highest quality programming and premium environment creates more impactful ad opportunities



BEST PRACTICE

The research conducted by Gain Theory has proven that video, deployed in connection with linear TV, delivers on average a positive ROI of 1.27%X, that of TV in isolation. Furthermore, broadcast video inventory provides the greatest ROI. There are 4 critical factors to driving superior performance:

Is the last click really the best way to measure the power of sight, sound and motion that only video & TV can achieve?

DEFINE THE GOAL

Setting clearly defined campaign objectives and flighting may sound obvious but it should make a significant impact on optimisation and strategy deployed by your video technology platform. For example we found longer burst activity drives a greater ROI than short burst activity for video.

BROADCAST VIDEO REALLY MATTERS:

Any strategies that materially reduces the overall portion of broadcast inventory on a campaign will negatively impact ROI.

1ST PARTY DATA:

Utilise1st party advertiser data to both target and measure the impact on sales by creating a virtuous circle of improvement and learning. Ensure you maintain ownership and access to this data. For example is the last click really the best way to measure the power of sight, sound and motion that only video & TV can achieve?

CAMPAIGN HYGIENE:

It goes without saying that there are best practice hygiene factors that should be applied to all your campaigns, regardless of objective.

Maximise viewability; the more time your ad is in view, the greater potential to make an impact and drive an outcome. Ensure you have accredited measurement in place, go beyond just standard metrics, looking in greater depth at each quartile to get better insight beyond the IAB / MRC minimum definition. Challenge your video platform to optimise to third party vendor stats in real-time, and, where appropriate, viewable CPM as a currency.

Any impression to fraudulent bot or non-human traffic is wasted. Ensure your video platform has an effective non-human traffic strategy in place. Not just by reporting post-impression or reconciled post-campaign, but by preventing fraud before it happens using real-time blocking.

A robust process for brand safety is vital, ensuring your campaigns are displayed in appropriate environments. Custom execution through white lists, black lists, custom media lists and the option to run 3rd party reporting are the minimum standard.

Videology (videologygroup.com) is a leading software provider for converged TV and video advertising. By simplifying big data, we empower marketers and media companies to make smarter advertising decisions to fully harness the value of their audience across screens. Our math and science-based technology enables our customers to manage, measure and optimize digital video and TV advertising to achieve the best results in the converging media landscape.

Videology, Inc., is a privately-held, venture-backed company, whose investors include Catalyst Investors, Comcast Ventures, NEA, Pinnacle Ventures, and Valhalla Partners. Videology is headquartered in New York, NY, with key offices in Baltimore, Austin, Toronto, London, Paris, Madrid, Singapore, Sydney, Tokyo and sales teams across North America.

Gain Theory, is a marketing foresight consultancy that brings together data, analytics, technology solutions and consumer insight capabilities. It combines intellectual capital in media, marketing, data and technology to create a consultancy that will help brands make smarter, faster, predictive business decisions.

The Gain Theory team is comprised of 200, world-class marketing effectiveness consultants, analysts, data experts and engineers. The consultancy has hubs in New York, London and Bangalore. For more information, visit www.gaintheory.com