

Generate Revenue with Online Video Ads

White Paper

- ▶ Internet TV use has reached record highs and online video advertising spending continues to skyrocket. According to eMarketer, ad spending on online video will grow from \$775 million in 2007 to more than \$4 billion in 2011. That represents a fivefold increase in per-viewer spending, from \$3.59 per viewer in 2006 to \$23.50 per viewer in 2011.¹

Introduction

The trend is clear. Marketers find Internet TV an effective way to reach and engage their target audience. And because video lends itself so well to rich media and new advertising opportunities, Internet TV commands significantly higher ad rates than traditional web advertising. Media companies and web properties recognize this promise and are racing to get video online.

Simply having video on your site, however, is not enough to capture advertising dollars. You need a comprehensive strategy that begins with an understanding of the fundamentals of Internet TV advertising.

In this white paper, you'll learn the key ingredients of Internet TV advertising and the steps you can take to achieve success with your video advertising:

- Set a strategy that works for your content and audience
- Choose the right ad formats and placements
- Determine your insertion policies
- Establish your targeting plan
- Experiment and test
- Implement your strategy successfully



Set a Strategy that Works for Your Content and Audience

Your Internet TV advertising strategy goes hand in hand with your online video strategy. Before determining specifics such as ad formats and impression frequency, ask yourself why you want video on your site. While you may want to generate advertising revenue, you probably also want to increase unique visitors, time spent per visitor, and repeat visits to your site — all of which relate to growing your audience.

Just as your online video strategy focuses on your audience, so, too, should your video advertising strategy. The fact is, video increases revenue opportunities throughout a site, not just within the video. Focusing solely on advertising opportunities within the video window fails to capture the full value created by integrating video within your website.

A more effective approach is a plan to monetize the audience you're building at your site, not simply the video. Your plan should include advertising throughout your site, within and outside the video window. Ad sales opportunities include video ads, banner ads, text ads, sponsorships, placement in content, and branded content. When calculating ROI for your online video initiatives, be sure to include revenue generated from the additional impressions made possible because of your video initiatives, even if the ad placement lies outside the video window.

Don't think about monetizing your video; think about monetizing your audience.

With your strategy set, it's time to make key tactical decisions about:

- Ad Formats and Placement
- Insertion Policies
- Targeting Plan

The following sections dive into each of these areas.

Strategy Factors

Different audiences, different genres, and the type and length of content command different advertising strategies. When setting your strategy, consider the following factors:

User Experience

A good user experience increases visits, and ultimately, creates more advertising inventory. You'll want to strike a balance that maximizes advertising revenue while maintaining an optimal user experience. Some companies are choosing to limit the type and frequency of advertising against their online video initiatives to focus solely on building audience. This strategy, however, may backfire since users may rebel when advertising is ultimately introduced. The best approach is to introduce advertising that fits with your video offerings and the rest of your site experience.

Audience Interest

The higher the audience interest in the video, the more intrusive its advertising can be. If you have exclusive and high interest content, viewers will sit through more frequent and intrusive ads. If the content is low-interest, however, viewers will have less tolerance for ads, and will be more likely to click away.

Type of Video

User-Generated or Professionally Produced. Marketers are eager to take advantage of the explosive growth of user-generated content, but most brand marketers are more comfortable associating their brand with known, or trusted, content. If your video content is largely user-generated, think about advertising opportunities outside the video window, and consider performance-based advertising instead of brand-building campaigns.

Episodic or Snacking. Episodic videos are generally longer, and tell a story over multiple episodes. Snacking videos are usually shorter, and don't necessarily have a fixed order; viewers watch them in whatever order they like. With snacking videos, make sure the ad isn't too intrusive since you don't have the same level of investment from the viewer in staying through the ad to watch the video.

Length of Video

Shorter video clips warrant shorter ads. A user doesn't want to sit through a 30-second video ad to watch 20 seconds of content. As a rule of thumb, limit advertising to less than 20 percent of the average video length watched per user.

Context of Video

Video that's contextually integrated with other material in your site, such as articles and tools, warrants high rates because of the ability for interest-based targeting. Sponsorships and customized campaigns are great options for video that's contextual in nature.

Audience Reach

If your audience is broad and large, national brand advertisers and branded placements may work well for you. If your site attracts a smaller, niche audience, you may be able to maximize ROI by finding more targeted sponsors for your content.

Choose the right Ad Formats & Placements

Unlike television where the 15- or 30-second commercial is the primary vehicle for advertisers, the Web has no one-size-fits-all policy. The video ad format that yields the highest revenue for you largely depends on the type, length, and context of your video content. Today's most common video ad formats are described in detail below, followed by a summary guide for easy reference.

In-stream video ad

The in-stream video ad is similar to a TV commercial that runs inside the video window in place of video content. The ad can be any length, but 15 and 30 seconds are most common. In-stream video ads are often mistakenly referred to as pre-roll ads, but the term pre-roll really just describes when an ad occurs in relation to the video content. In-stream video ads can run before (pre-roll), during a break (mid-roll), or after (post-roll) video content is played.

In-stream video ads are popular because marketers are able to repurpose creative produced for TV. This unit works well

Overlay

The overlay is a branded rich-media or text ad that appears in the lower-third section of the video window while the video is running. An overlay doesn't delay video viewing because it plays in parallel with the video. The overlay is one of the most common examples of an in-parallel ad unit.

An overlay ad can play at any time during a video and several times within a video. It's common practice for the overlay to play within the first 10 seconds of a video, and only once per video.

If you accept overlays, make sure they don't cover important content such as news tickers or sports scores that appear at the bottom of a video.

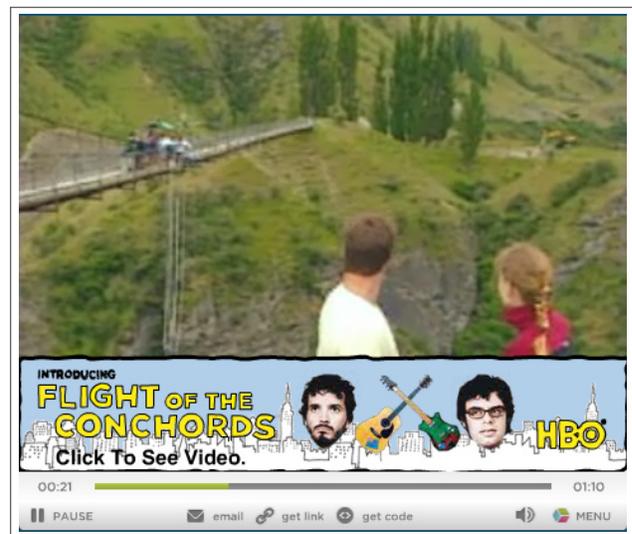
Overlay ads are often appropriate for shorter-form content. Brand marketers prefer to run overlays on professionally produced content and typically purchase inventory on a CPM basis. Some user-generated content lends itself to the overlay, but advertisers often look for direct response and performance-based pricing on this type of content.



VBS.TV strikes a balance between advertiser exposure and user experience by offering in-stream video ads that appeal to its target audience and by letting users skip the ad.

for some content, particularly longer-form content and video traditionally viewed on TV. Despite being thought of as too intrusive, it's currently the most effective video ad unit, with click rates 10 times greater than standard banner units. In-stream video ads are most commonly sold on a CPM basis and are often accompanied by a companion unit.

While this format is appropriate for longer-form and professionally produced content, it has its challenges with shorter, snack-type content. As a result, new formats are emerging, such as the overlay.



The lower-third overlay is one of several promising new ad formats being adopted for online video.

Companion Ad

Companion ads can be graphical or text, and are located outside the video window. They can appear anywhere on the web page, and are not limited to just one unit. Companion ads often run in conjunction with an in-stream or overlay ad and typically remain visible after the video ad has ended.

Companion ads are another example of in-parallel placement, in which the ad runs while the video is playing, instead of interrupting the video.

Companion ads can be refreshed with new creative from the same or a different advertiser while the video plays. This lets a site extract maximum revenue while the video is playing.

Companion ads are appropriate for long-form, short-form, professionally produced, or user-generated content. They're typically priced on a CPM basis, but can also be based on click or conversion performance.



The Wall Street Journal provides a companion banner unit that reinforces the message of the in-stream video ad.

Takeover Ad

Takeover ads display over the full video player, letting an advertiser deliver an uncluttered, rich-media experience. The takeover shows particular promise with full-screen, full-length, high-quality shows. It's associated with high brand recall and is already generating top industry rates for TV series that are broadcast online.

Takeover ads are launched on player load or as a click-through from an overlay unit. The key to an effective takeover placement is striking a balance between advertising and a good user experience. It's best to provide a Close or Skip button while the takeover is playing, and to use a countdown clock (for example, :07 seconds remaining). The recommended length of a takeover ad is 10 seconds, although many advertisers are running 30-second takeovers. When the advertisement has finished its run, the player content replaces the takeover ad.

Takeover units can offer specific calls to action that let users interact further with the ad. Many takeovers will be reinforced with an overlay at other points in the video. If the video isn't in full-screen mode, a companion unit can be displayed to reinforce the advertiser's message.



This example demonstrates the branding power of a takeover ad and follows best practices by using a countdown clock and providing a Close button.

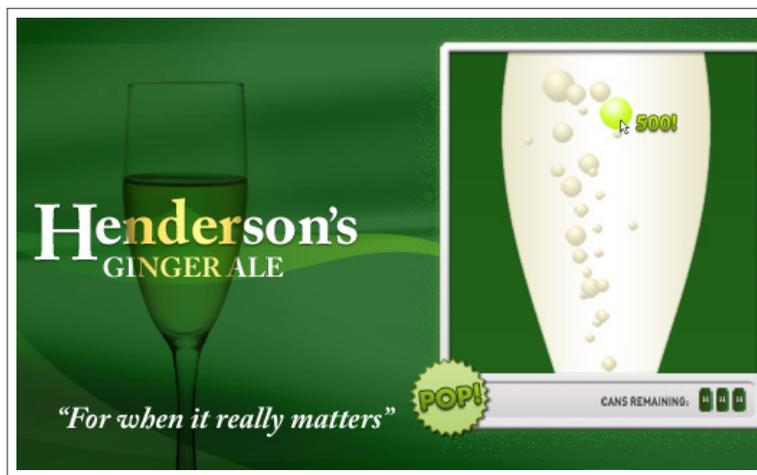
Sponsorships

Sponsorships are an excellent way to maximize advertising revenue on the entire page and throughout the site, not just within the video window. Sponsorships are often customized integrations that may include in-stream video ads, overlays, companion units, skinned video windows, and takeover ads.

Sponsorships tend to be sold on a time basis, not an impression basis. For example, an advertiser may buy a roadblock sponsorship where the advertiser owns the entire inventory on a page for a full day.

Sponsorships enhance brand awareness and are appropriate for professionally produced content that's either long- or short-form, episodic or snacking in nature.

Video monetization isn't limited to in-stream. Advertising opportunities outside the video window include text, banners, and sponsorship units. These units can be refreshed while the video continues to play. Revenue generated from these units should be attributed to the video.



Summary

When selecting the ad formats appropriate for your website, remember that your goal is to monetize the audience, not just the video window. Make sure to provide opportunities outside the video window and allocate revenue generated from these units to back the video. Think about how you can package advertising opportunities across your site, and how including video can sell the overall package for more value.



Wild Edges provides an integrated sponsorship package for Henderson's Ginger Ale. Upon player load, users see a full screen advertisement that transitions to a branded skinned player. Calls to action within the skinned player allow users to further interact with the advertiser.

Internet TV Advertising Format Quick Guide

Ad Format

Description

Screenshot

In-Stream Video Ad

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Determine your Insertion Policies

Once you've chosen which ad formats to offer to advertisers, determine the frequency of insertion. Your choice will be driven by the conflict that exists between the quality of the user experience and the volume of impressions you can create in your content. If the frequency of insertions is too high for the content, it will drive users away. If it's too low, then you won't maximize your revenue.

There are many different insertion schedule options. An ad can serve at any point during the video experience: before (pre-roll), during (mid-roll), and after (post-roll). The most common form of pre-roll is the in-stream video ad, but banner units, sponsorships, and takeovers can also run before the video content starts to play. The mid-roll, while interesting in concept, requires logical commercial break points in the content, so it's not always feasible. One easy-to-implement mid-roll example, however, is a companion banner unit that refreshes outside the video window. Post-roll is another common insertion point, but since it requires viewers to watch the entire video, it's not ideal for long content or content with credit rolls.

In terms of frequency of insertion, the standard today is to run one video ad, every other play, and most often at the start of the video play. Many sites choose not to run an ad on the first video play, waiting instead until the second play to insert the ad. Internet TV platforms like Brightcove give companies the flexibility and control to schedule ads on a video play or time-based frequency.

Time-based scheduling lets you insert an ad after a user has watched content for a specific length of time. For example, you can specify that an ad should run at the next available ad slot after a user has watched 2 minutes of video content. Time-based scheduling makes sense for longer-form content with multiple insertion points within the video, and for shorter-form snack content where a user may watch only 5 seconds of one clip and 10 seconds of another before moving on to a third clip. The time-based approach can result in fewer impressions served, but it tends to provide a better user experience.

The optimal frequency of insertion depends on the type and length of your content, as well as your users' viewing habits.

How often would you like an ad to play? ⓘ

Every other title ▾

Number of ads to play each time? ⓘ

1 ad ▾

1 ad

2 ads

3 ads

4 ads

5 ads

Ads

for Title Pre-roll. ⓘ

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Establish your Targeting Plan

The key to maximizing performance, and, therefore, realizing high advertising rates, is targeting: matching the right ad to your audience and the medium. Performance should not be defined as a high click-through rate. Instead, you and your advertising partner should define the goal of the advertising campaign during the RFP process. Based on that goal, you can recommend the right package of placement and targeting opportunities. For video and other rich-media opportunities on the Web, performance is often measured by the lift or increase in brand awareness. Focusing solely on click performance limits your potential. If you've recently introduced video advertising options to your advertising partners, you may need to educate them on this. Use video as an opportunity to open up the discussion.

Targeting works best when you match the user's immediate interest with the advertiser's message; this is called contextual, or interest-based, advertising. Entertainment-based ads work best with entertainment-type content, such as music and other pop culture video. Demographic-based ads, such as those trying to reach new moms, work best when the user is engaged in related content. Other targeting opportunities include demographic, psychographic, and behavioral.

The right message served too many times results in decreased advertising performance, as well as a poor user experience for your audience. One form of targeting not often discussed, but important to video, is frequency-based targeting. This lets you limit the number of times an individual user views an ad. Internet TV platforms like Brightcove seamlessly integrate with best-of-breed ad serving technologies that let you effectively implement frequency caps.

While targeting increases advertising rates, it decreases inventory availability. Whether it increases overall revenue depends on the volume of inventory available for targeting. Use targeting when your overall revenue potential is higher with targeting than without.

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Experiment and Test

This is the Web. There is a lot of room for experimentation. After setting your initial strategy you should test, measure, retest, and try again. No single approach fits all content. The best way to maximize your advertising revenue while optimizing your user experience is to experiment. Try different ad formats, frequency of insertion, and placements. Since everything is measurable, you'll quickly learn what works best for your audience and your site.

Implement your Strategy Successfully

Once you've set your strategy and determined ad formats, frequency of insertion, and targeting opportunities, it's time to execute. You'll want an Internet TV platform like Brightcove to manage your video programming, delivery, and advertising policies. Make sure to choose a platform that was built to support advertising businesses. The platform you choose should seamlessly integrate with best-of-breed ad serving technologies such as Doubleclick DART, 24/7 Real Media's Open Ad Stream, or Atlas Ad Manager. You'll also need to determine your sales strategy. Companies that are just launching video may prefer to start with a video ad sales network such as Tremor Media or banner networks like ValueClick or Advertising.com. Google provides a combination of search, contextual, and video ad products that are worth considering. Ad networks are beneficial when you're just starting out, or when usage spikes unexpectedly, leaving unsold inventory on the table.

When you're ready for direct sales, you'll need staff to sell, service, and manage your advertising operations. You'll also need a site-side ad serving system like Doubleclick. While your Internet TV platform manages your advertising policies, your ad serving technology handles specific campaign scheduling, targeting, delivery, and reporting.

Conclusion

Internet TV presents an enormous opportunity to grow your audience and generate new advertising revenue. Your ad strategy should focus on your overall audience and an optimal user experience. A good user experience results in more unique visitors, increased time spent, and higher repeat visits — all of which result in increased advertising opportunities and, ultimately, higher revenue.

Remember, no single approach fits all content. Different audiences, different genres, and the type and length of content command different advertising strategies. Choose the ad formats and frequency of insertion that best fit your particular content. Focus on building a great user experience and the audience, traffic, and advertising dollars will follow.

To learn more about Brightcove and how we can help you implement your online video advertising strategy, visit our website at www.brightcove.com or contact our sales team directly at (617) 500-4947.

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