

THE STATE OF ONLINE VIDEO ADVERTISING IN EUROPE

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Executive Summary

The IAB Europe and PubMatic State of Online Video Advertising study highlights the following European trends:

- Digital accounts for the lion's share of budgets - on average, 56% of ad budgets are invested in digital compared to 28% in linear TV. Digital video advertising now accounts for around a third (36%) of that total digital spend.
- The share of digital video campaigns on CTV is still growing, with the majority of budgets still being invested in mobile web and desktop. Twenty-five percent of respondents state that more than 61% of their digital video campaigns are on mobile web compared to just 9% reporting the same for CTV.
- Investment is primarily being directed toward in-stream video advertising, with 65% of respondents spending between 41% and 100% of their budgets on this format type. Meanwhile, outstream has overtaken in-banner advertising in terms of investment.
- While programmatic direct is the main buy type for digital video advertising, it is only ahead by a few percentage points - 89% of respondents will spend some proportion of their budgets on programmatic direct, compared to 82% for direct, and 81% programmatic real-time bidding.
- When it comes to choosing between programmatic supply-side vendors with the same inventory, advertisers decide based on performance KPIs (with a weighted average of 4.1), cost (3.68), and data activation (3.3).
- Ninety-three percent of respondents believe that budgets dedicated to digital video advertising will increase over the next 12 months.
- Sixty percent of advertisers view non-linear TV as a means of expanding the reach of broadcast campaigns. Fifty-four percent cite brand loyalty as a key driver. Meanwhile, a lack of cross-screen measurement is seen as the top barrier to digital video advertising investment, selected by 46% of respondents. This is followed by viewability (38%) and market fragmentation (38%).

- Digital video advertising is viewed as a brand building platform. Fifty-two percent of respondents spend between 61% and 100% of their digital advertising budgets on brand (21% spend between 80% and 100%). Conversely, just 18% spend 61% to 100% of their budgets on performance. 60% of the advertisers and agencies surveyed say that they expect brand to grow faster than performance as the goal of digital video advertising in 2022.
- The video formats expected to drive most revenue for companies also relate to brand: 51% of respondents selected interactive video, 42% vertical video, and 35% live video.
- Nearly a quarter (23%) of respondents are planning more that 61% of their digital video campaigns as cross-screen in conjunction with TV ads. A plurality of respondents say that they use both original content and repurposed TV content for the digital video campaigns (51% for ads on desktop, 49% for ads on mobile, and 43% for ads on CTV).
- Most respondents noted brand awareness as the key metric that is uplifted by combining digital video and TV advertising (selected by 74% of respondents), followed by advertising recall (55%).
- The top two transaction metrics selected by respondents once again relate to brand building: cost per completed view (67%) and reach and frequency (55%). Brand is also key to campaign metrics: brand awareness was selected by a majority of respondents (54%) as the key metric for elevating campaigns, followed by completion rates (53%).
- Connected TV is seen as the key growth area for digital video advertising, identified by 67% of respondents - well ahead of the area selected by the second highest share of respondents: addressable TV (37%).
- According to our research, there are several key drivers for the growth of new video formats including improved measurement/effectiveness (57%), better consumer experiences (56%), and more native / integrated experiences (47%).

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Marie-Clare Puffett, Senior Manager, Marketing & Industry Programmes, IAB Europe:

"IAB Europe and PubMatic's The State of Online Video Advertising study provides a view into the direction of travel in Europe for this growing advertising market. The findings will help advertisers, publishers and the broader digital advertising industry plan ahead and make the most of the opportunities on offer. This report shows that advertisers view online video as a strong channel for brand building. However, there are also clear concerns around cross-device targeting that will need to be addressed for the value of online video advertising to be realised in full. Given the aptitude for innovation in the digital advertising sector I have every confidence these concerns will be overcome and online video will continue as an important channel for brand building."

Hitesh Bhatt, Senior Director, CTV/OTT, EMEA at PubMatic:

"Addressability has been one of the key considerations among the buyers as they continue to invest in this area heavily. Buyers want to access trusted and premium inventory, but also enhance the inventory they buy with valuable data that ultimately improves performance and reduces waste. Addressable solutions like PubMatic benefit both buyers as it helps them achieve their campaign objectives, as well as publishers who can get more opportunities to monetise their inventory while making meaningful experiences for their users."

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Section 1. Introduction

The European digital video market is seeing rapid growth. In Europe, it now commands nearly 40% of all display spend and is the fastest-growing segment within social (1). Innovations in this space, such as advances in video quality, mean that this growth will likely continue at speed.

However, the market is highly fragmented by factors including media consumption habits, regulation, and media trading cultures. There is also a lack of research into formats and the factors affecting buying decisions in the online programmatic video space.

Additionally, and as with other forms of digital advertising, identifying and measuring audiences across screens and touchpoints is becoming more of a challenge as platforms and services proliferate and the depreciation of cookies takes its toll. Any solution to this challenge will need to win the trust of consumers if it is to be fit for purpose.

Given the complexity of the digital video market, in December 2021 IAB Europe and PubMatic invited advertisers and agencies to take part in an industry survey. In doing so, we hope to further the understanding of online video formats and the factors influencing buying behaviours across Europe.

The survey attracted respondents who command significant volumes of advertising supply and demand. In fact, 65% of the respondents across advertisers and agencies manage annual advertising budgets of €1m or above.

1. IAB Europe AdEx Benchmark 2020 Report <https://iabeurope.eu/knowledge-hub/iab-europe-adex-benchmark-2020-report/?R6wF9AvbqY=B0397D4CF0D31D41C86AA120EBDEF073>

The survey polled respondents on a variety of areas including:

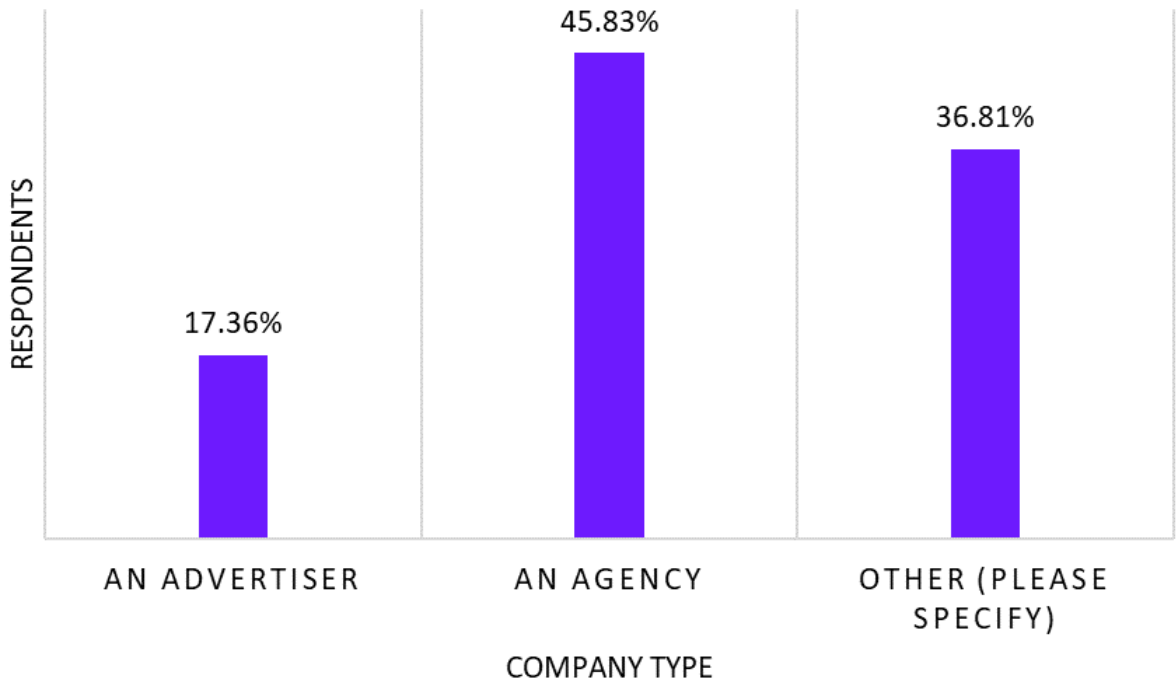
- Advertising spend across digital video categories, format types, and buy types
- Drivers and barriers behind digital video investment
- The goals of advertisers' digital advertising investment
- Plans for cross-screen advertising and their related content strategies
- The transactional and campaign metrics used to measure digital video campaigns

Section 2. Methodology

An online survey was used to gather responses from advertisers and agencies across Europe.

The survey received approximately 140 respondents between December 2021 and February 2022. The responses came from online video buyers from 31 markets, with respondents having both pan-European and Global remits.

Figure 1 Breakdown of Respondents



**Other includes a range of buyers such as DSPs, agencies etc.*

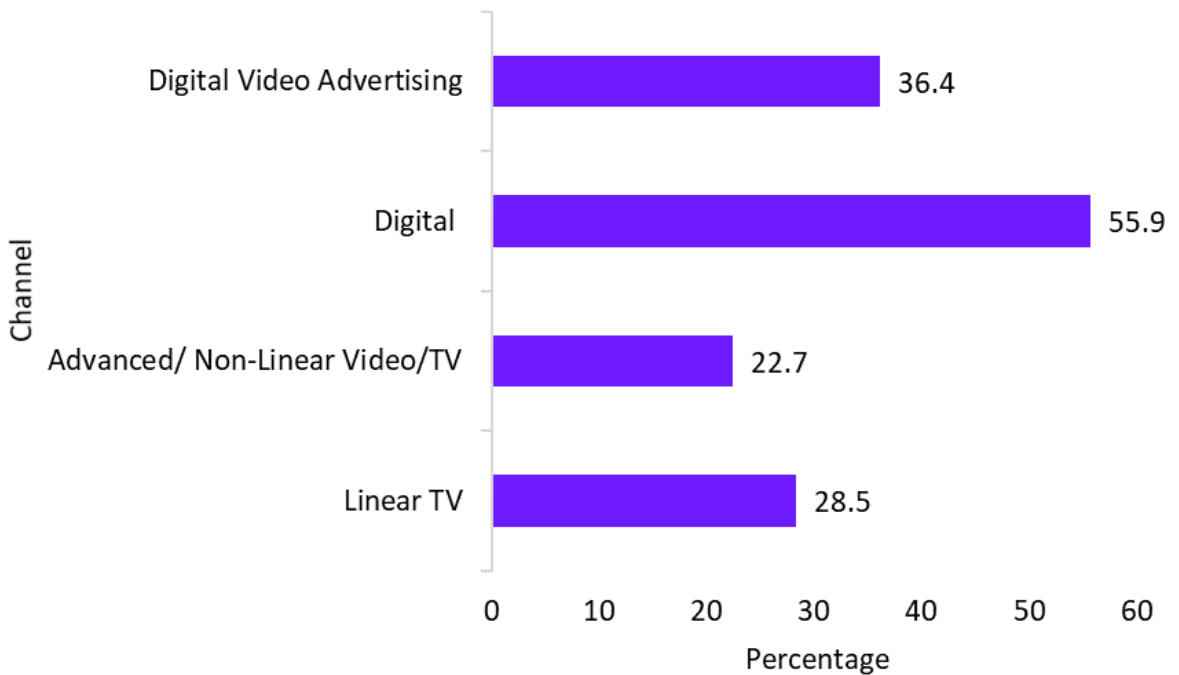
Section 3. Digital Video Advertising Investment

Comparative Investment

When it comes to brands’ and agencies’ advertising budgets, the lion's share goes to digital (56%). Significantly however, digital video advertising - incorporating in-stream, out-stream, and in-banner video advertising viewed on any device apart from a TV - now accounts for around a third (36%) of total digital spend.

It is also of note that advertisers now spend almost as much on advanced, non-linear video and TV (i.e., over-the-top, connected, and addressable TV) as they do on traditional linear TV (i.e., programmed broadcast TV). This likely reflects changing consumer behaviour, with people starting to turn away from broadcast TV and toward online content.

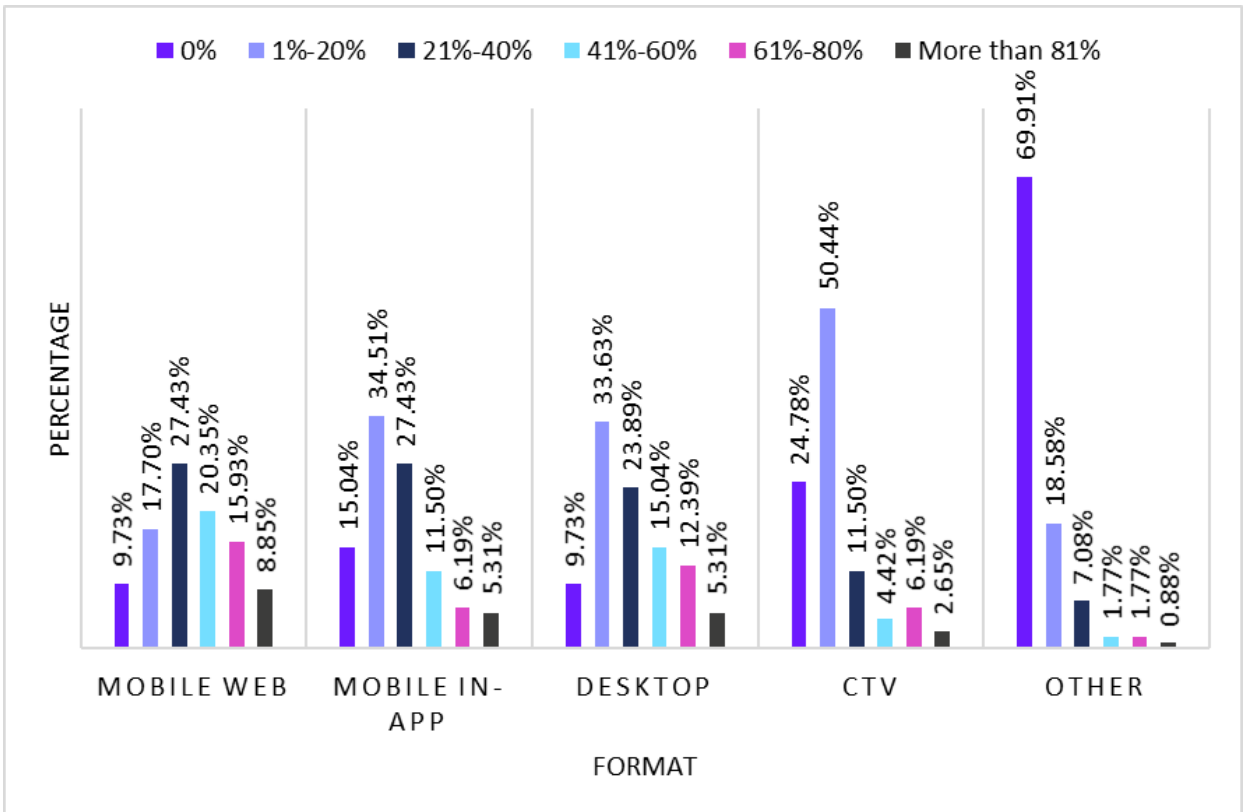
Figure 2 Advertising Investment Breakdown



Investment by Format and Format Type

Looking at the preferred formats for digital video campaign placements, it's clear that Connected TV (CTV) still has some way to go before it catches up with desktop and mobile web. Twenty-five percent of respondents state that more than 61% of their digital video campaigns are currently on mobile web and 17% say the same for desktop. However, just 9% report placing more than 61% of their campaigns on CTV and a quarter of respondents say they are currently not placing any campaigns on CTV. With the majority (62%) of advertisers currently placing between 1% and 40% of their campaigns on CTV, this format clearly has potential to grow (see "Digital Video Growth Areas and New Formats" below).

Figure 3 Share of Digital Video Campaigns by Format

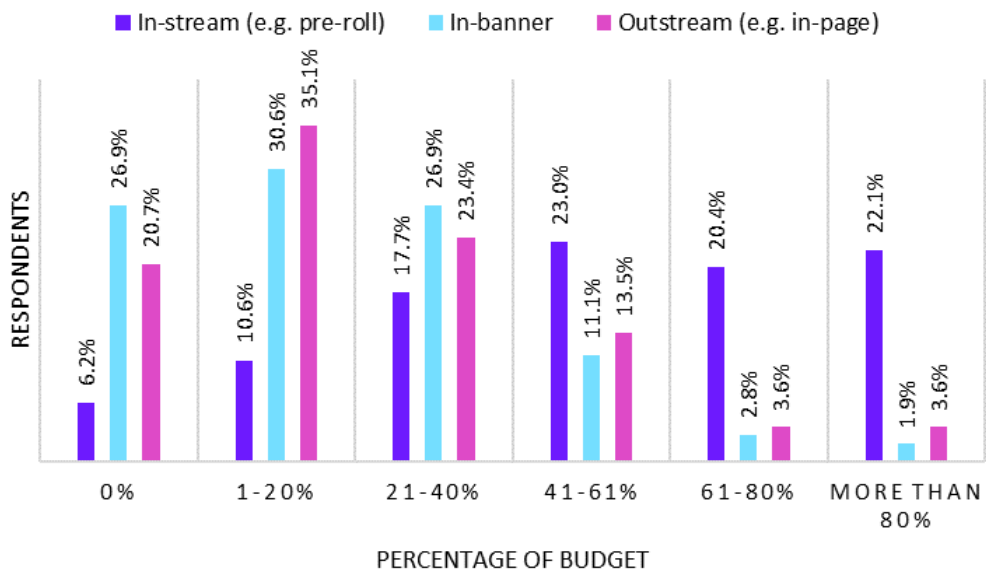


We also surveyed respondents about how much of their digital advertising budgets are invested in three key format types: in-stream (i.e., videos which are streamed before, during or at the end of a video a person is viewing), in-banner (i.e., where a video player is embedded in a display banner ad), and outstream (i.e., ads that automatically play alongside other content and which viewers can pause or skip).

Our findings reveal that investment is primarily being directed toward in-stream, with 65% of respondents spending between 41% and 100% of their budgets on this format type. Nearly a quarter (22%) spend more than 80% of their budget in-stream. However, while in-stream dominates, a good proportion of respondents are spending significant amounts on outstream advertising. Around a third (37%) of the advertisers we spoke to spend between 21% and 61% of their budgets on this format type. With just 8% spending more than 61% of their budgets on outstream, it's possible we will see growth in this format type.

Outstream appears to have overtaken in-banner advertising for video. The majority of advertisers (58%) are only willing to commit up to 41% of their budgets on in-banner, and 27% do not invest at all in this format type.

Figure 4 Digital Video Advertising Investment Allocation by Format Type

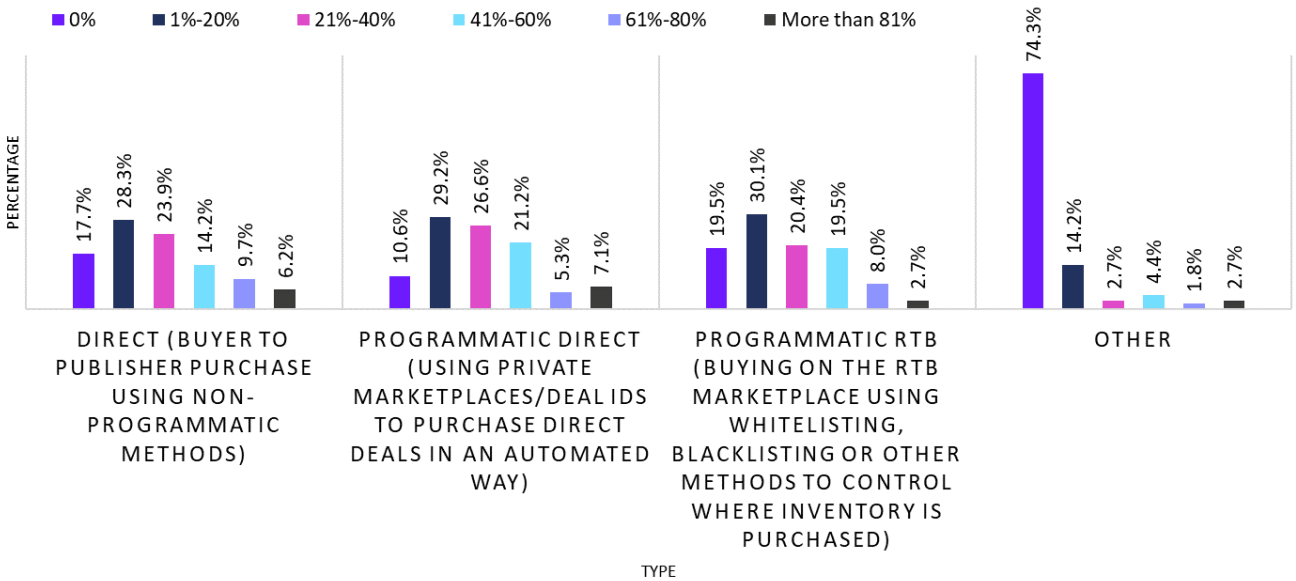


Preferred Buying Methods

When it comes to the type of buying method used to purchase digital advertising inventory, our survey reveals a fairly balanced picture.

While programmatic direct is the main buy type for digital video advertising it is only so by a slim margin - 89% of respondents will spend some proportion of their budgets on programmatic direct (where buyers programmatically buy inventory directly from publishers), compared to 82% for direct (where buyers deal directly with publishers using non-programmatic channels) and 81% programmatic real-time bidding (RTB - where buyers bid for inventory through programmatic channels). Clearly, however, when both programmatic variants are combined, this form of buy is preferred over non-programmatic direct channels.

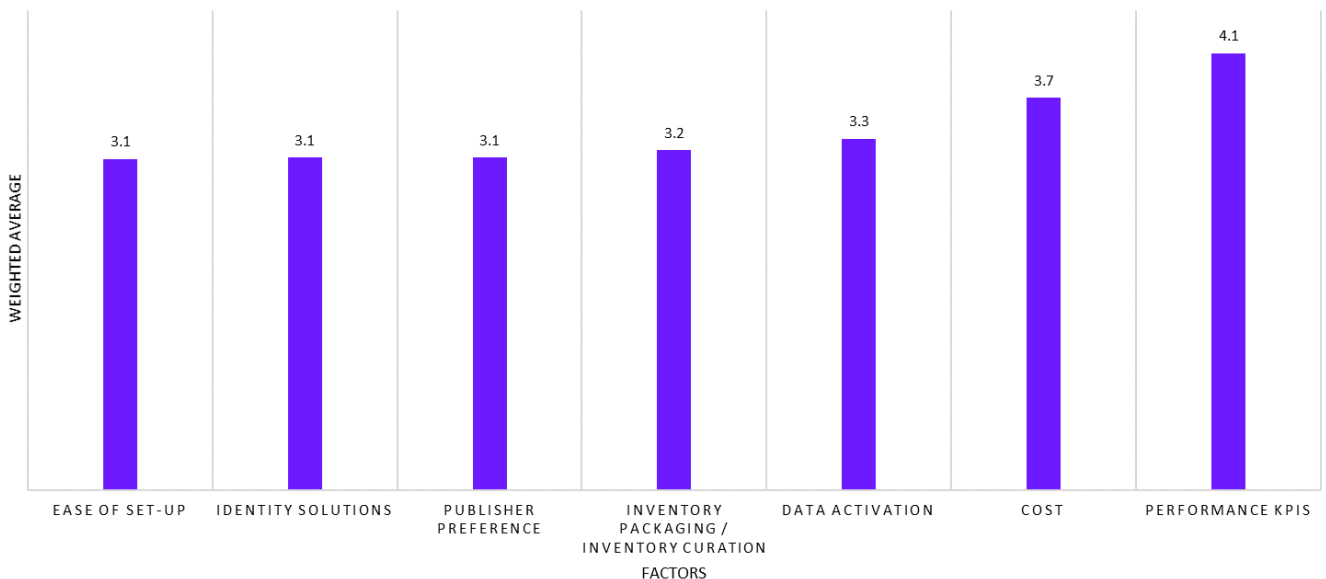
Figure 5: Planned Digital Video Advertising Spend by Buy Type



With programmatic, buyers have a broad range of options with regard to which sell-side vendors they purchase inventory through. How do vendors select their sell-side partners in cases where the same inventory is available from multiple platforms / vendors?

According to our survey, performance KPIs are the most important factor to buyers with a weighted average of 4.1, shortly followed by cost (3.68) and data activation (3.3). It is perhaps significant that data activation is in the top three most important factors, and perhaps reflects the fact that, following the depreciation of third-party cookies, advertisers are thinking hard about how to activate their own first-party data. Other factors influencing which sell-side vendor to use (when inventory is not a consideration) include inventory packaging (3.19), identity solutions (3.12), publisher preference (3.12), and ease of setup (3.11).

Figure 6 Factors that Influence Choice of Programmatic Sell-Side Vendor for Digital Video Advertising when Inventory is not a Factor



Future Plans

An extremely positive picture to emerge from the research is that respondents are bullish about the trajectory of future investment in digital video advertising. Ninety-three percent of the people we interviewed say that they believe budgets dedicated to digital video advertising will increase over the next 12 months. Nearly half believe they will increase by 11%-30%, while 17% think they will increase by as much as 31% to 50%.

This positive picture is also present when it comes to mobile video advertising, although slightly less pronounced than with digital video advertising overall (perhaps because respondents have discounted CTV). In total, 89% of respondents state that mobile video ad investment will increase over the next 12 months.

Figure 7 Forecast of Companies' Digital Video Advertising Investment Over the Next 12 Months

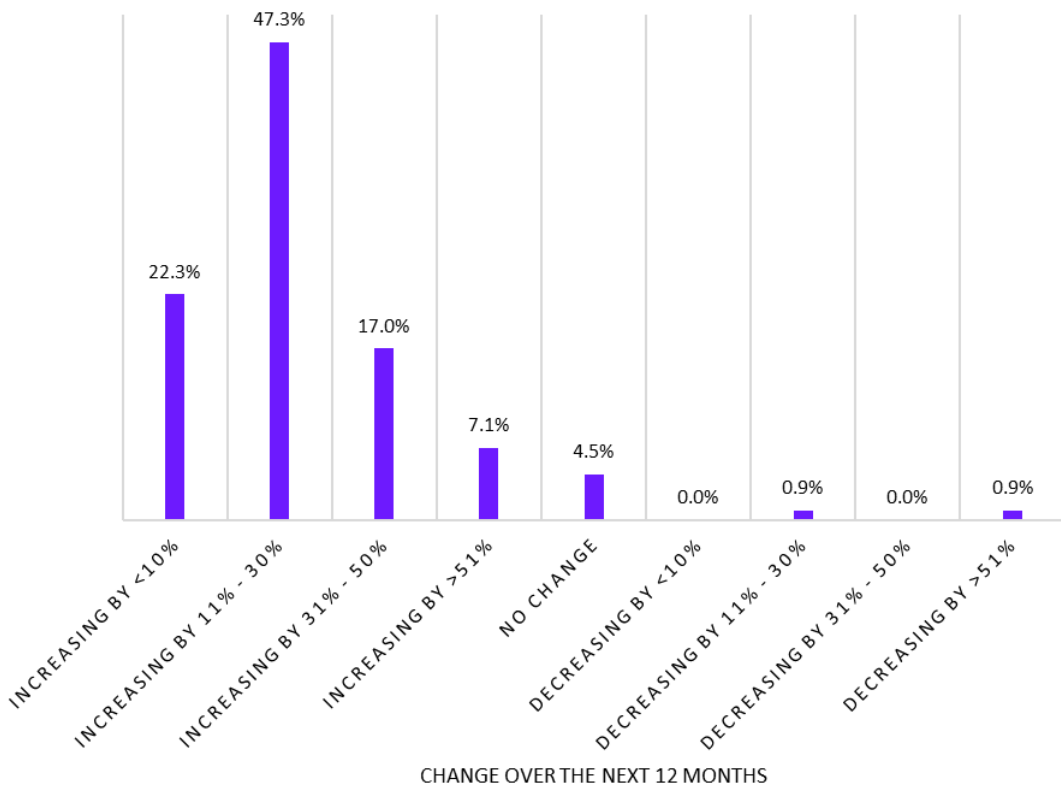
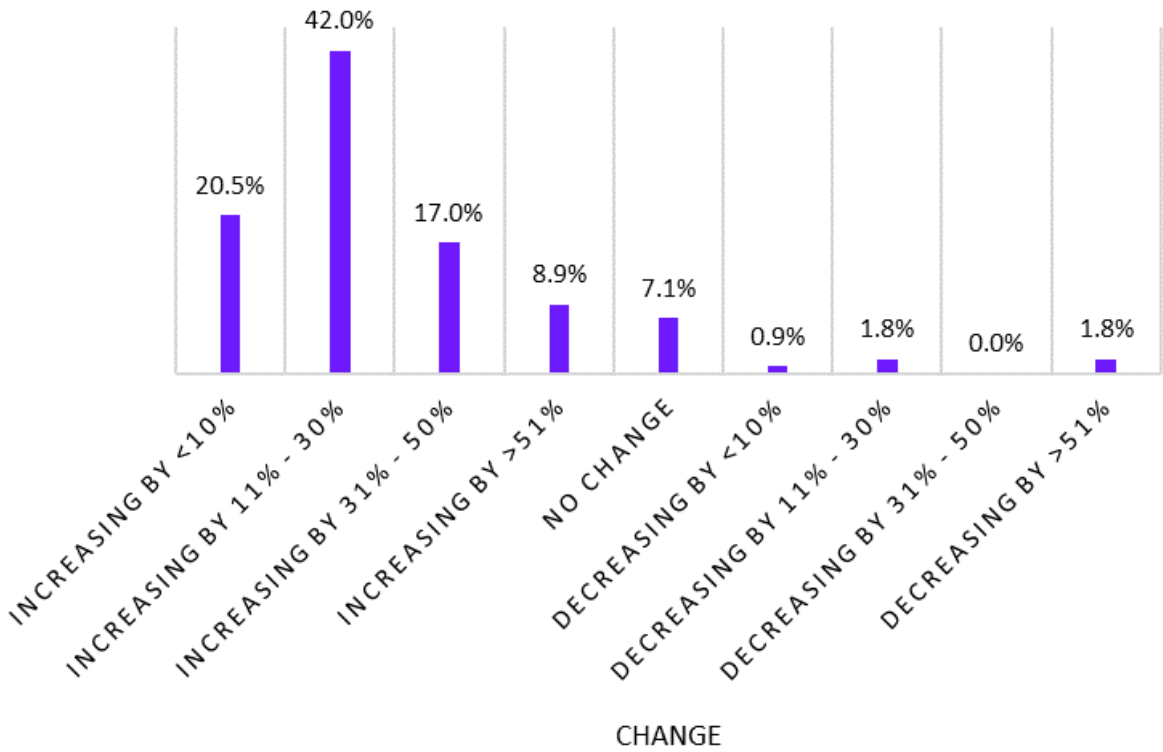


Figure 8 Forecast of Companies' Mobile Video Advertising Investment Over the Next 12 Months



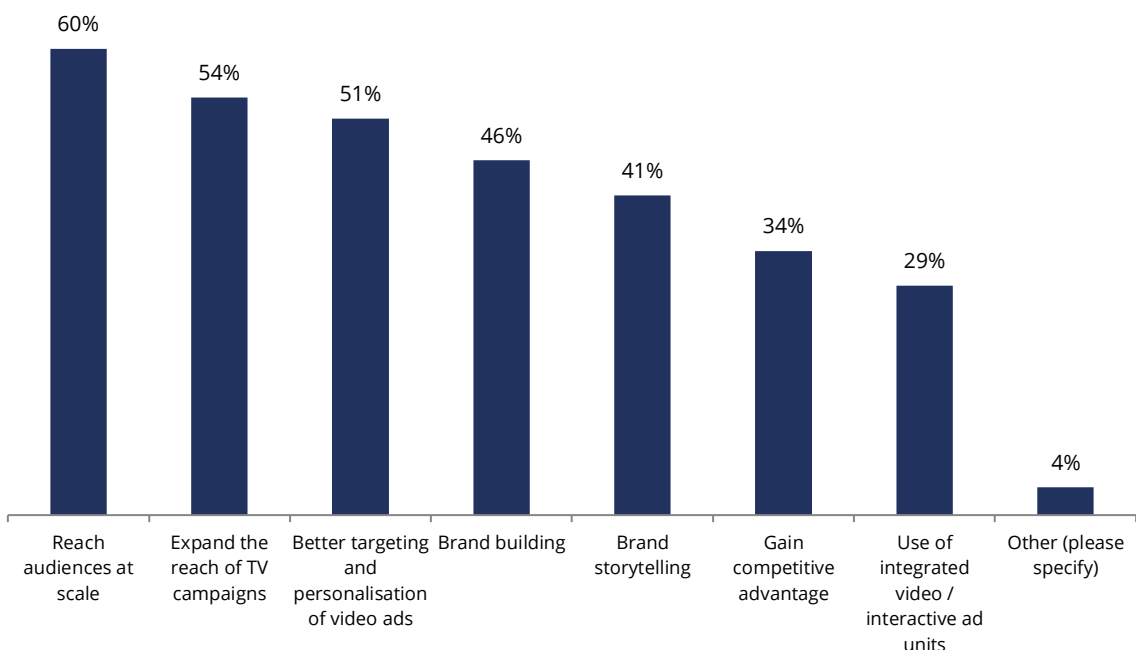
Section 4. Drivers And Barriers Behind Digital Video Advertising

Drivers

Earlier, we saw that spending on non-linear TV is catching up with broadcast. To some extent this could be because brands now view non-linear TV as a means of expanding the reach of broadcast campaigns. Certainly, this was the key driver behind digital video advertising spend, selected by 60% of respondents to our survey.

Even more interesting is that the second most selected priority is brand storytelling (chosen by 54% of respondents) and that 46% also cited brand building as a key driver for their investments. As is corroborated elsewhere in this report (see "Digital Video Advertising Goals" below), digital video advertising is primarily seen as a tool for branding. Other key drivers include gaining a competitive edge (51%) and the better targeting and personalisation of video ads (41%).

Figure 9 Drivers of Digital Video Advertising Investment

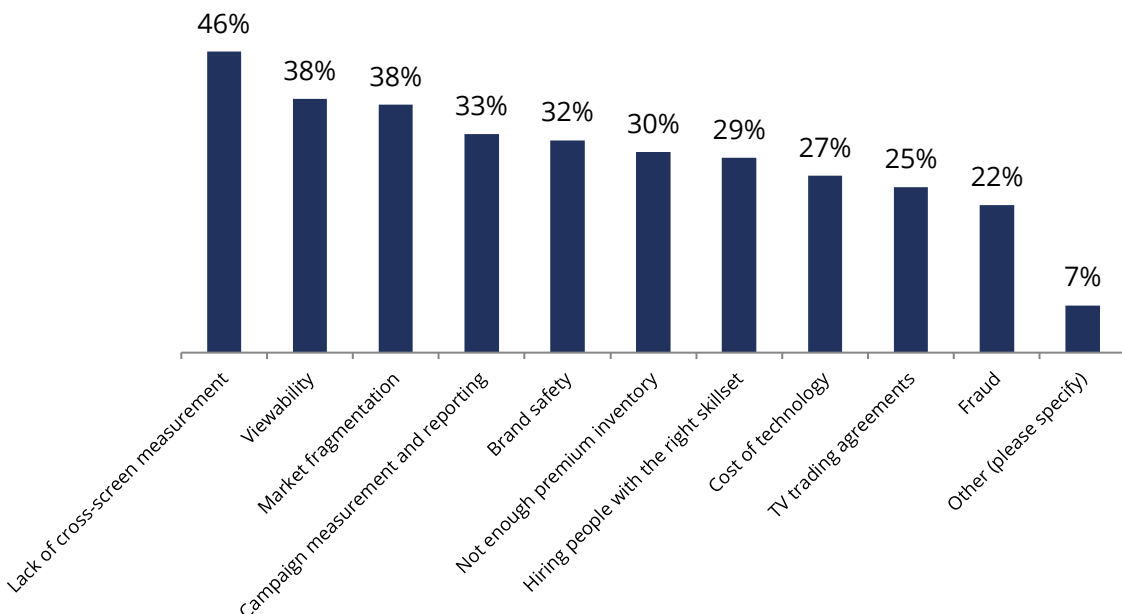


However, the advertisers and agencies we spoke to also report a number of barriers to investing in digital video advertising. A lack of cross-screen measurement is the top barrier, selected by 46% of respondents. This was followed by viewability (38%) and market fragmentation (38%).

These results are largely as expected. The high-cost of video advertising means measurement and viewability will always be top of mind. Similarly, given the variety of standards and routes to inventory around CTV, it is natural that market fragmentation is a cause for concern. Indeed, market fragmentation makes cross-screen measurement a challenge and could be seen as a cause of this barrier.

More surprising is that only 22% selected fraud as a key barrier - the lowest proportion for any of the options provided. Perhaps advertisers and agency professionals do not think fraud is as much of an issue in digital video advertising as it is for other areas of digital advertising. Another surprise is that only 27% selected the cost of technology as a barrier. While asset creation costs for video content can be high relative to other forms of advertising, that many advertisers repurpose existing content perhaps allows them to manage costs effectively (see figure 12 below).

Figure 10 Barriers to Digital Video Advertising Investment



Digital Video Advertising Goals

As already mentioned, brand-building and branding exercises are a significant driver behind investment in digital video advertising. We also asked respondents to drill down into the levels of investment they put into the two use cases for digital video advertising: brand and performance.

Our findings show categorically that the majority of investment is being directed towards brand activities. Fifty-two percent of the advertisers and agencies we spoke to spend between 61% and 100% of their digital advertising budgets on brand (21% spend between 80% and 100%). Conversely, just 18% spend 61% to 100% of their budgets on performance.

Looking ahead, 60% of the advertisers and agencies surveyed say that they expect brand to grow faster than performance as a goal of digital video advertising in 2022, compared to 40% who believe the opposite will happen.

Figure 11 Allocation of Budgets to Digital Advertising Goals

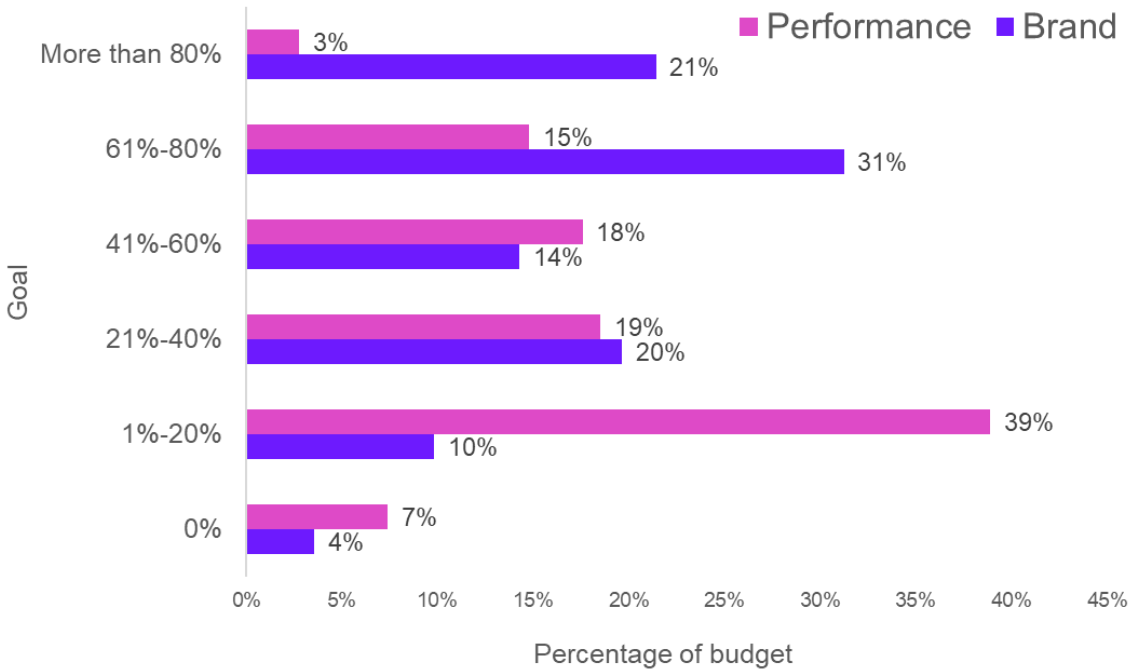
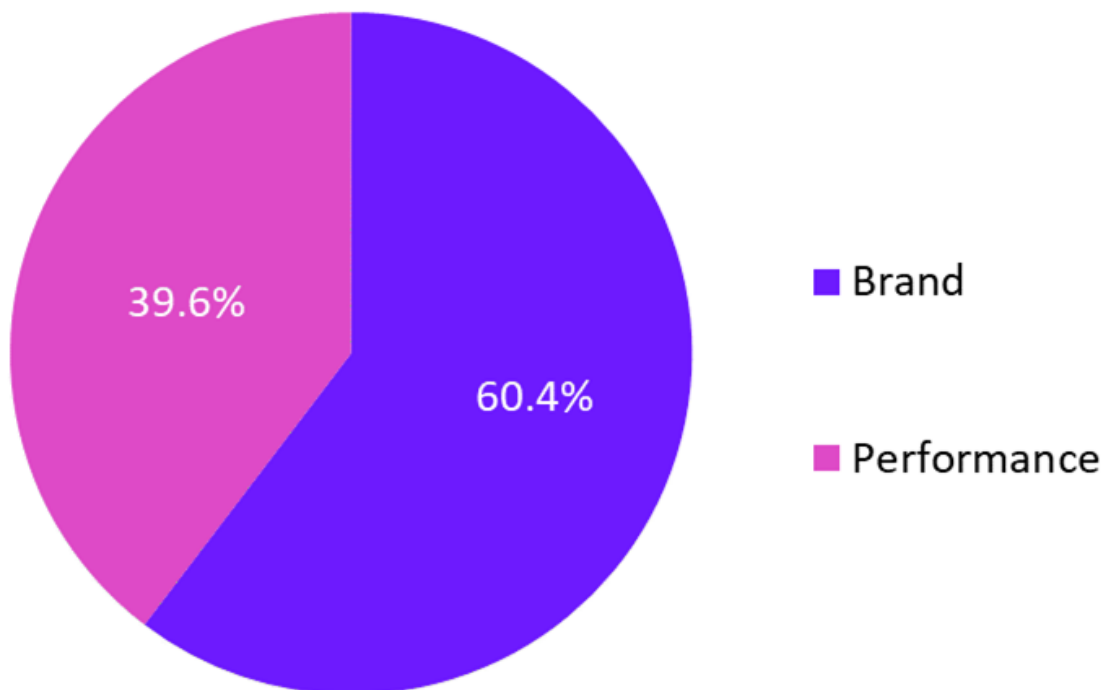


Figure 11 Forecast for Which Digital Advertising Goals will Grow Faster in 2022: Brand or Performance

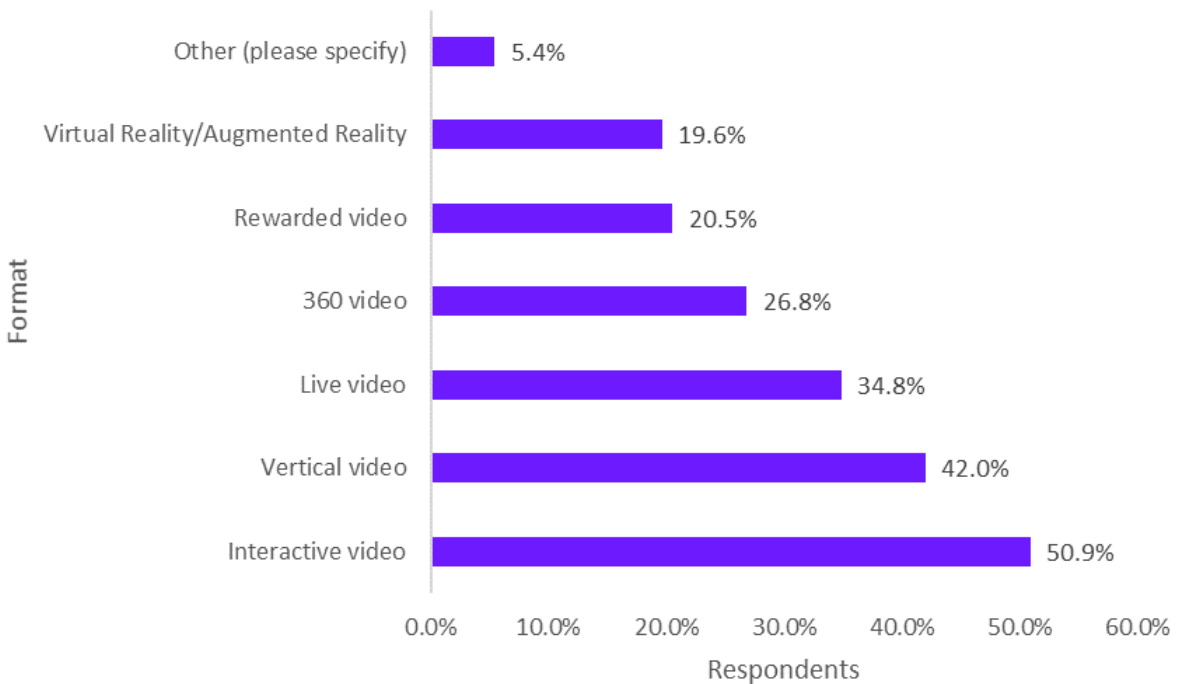


Video Formats

The importance of brand to digital video advertising is once again apparent when it comes to the video formats that respondents think will drive the most revenue in the next 12 months. Asked to select two options, 51% of respondents selected interactive video, 42% vertical video, and 35% live video. Interactive and live video are both good channels for brand building campaigns.

Nineteen percent of respondents selected VR and augmented reality as likely to drive the most revenue in the next 12 months. This is surprising given the relative immaturity of the channel, and perhaps reflects recent media hype around "metaverses" and related technology.

Figure 13 Video Formats that Will Drive the Most Revenue in the Next 12 Months



Section 5. Cross-Screen Video Advertising

As mentioned (see Drivers And Barriers Behind Digital Video Advertising), non-linear TV is seen as a way to boost campaigns on broadcast TV. Some organisations are going further and planning cross-screen campaigns in concert with TV ads. Nearly a quarter (23%) of respondents are planning more that 61% of their digital video campaigns as cross-screen in conjunction with TV ads.

It's not surprising therefore that around a quarter of respondents say they re-purpose TV content for digital advertising (23% for ads on desktop, 24% for ads on mobile, and 29% for ads on CTV). However, a plurality of respondents say that they use both original content and repurposed TV content for the digital video campaigns (51% for ads on desktop, 49% for ads on mobile, and 43% for ads on CTV).

Figure 14 Percentage of Digital Video Campaigns Planned as Cross-Screen Campaigns in Conjunction with TV Advertising

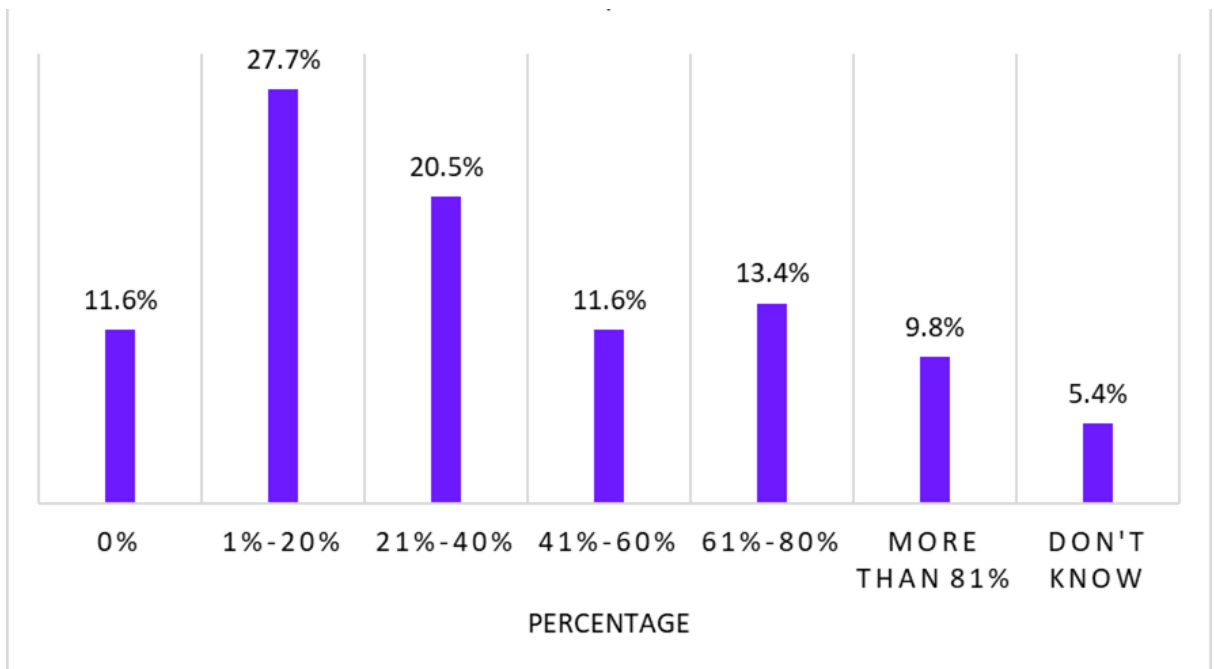
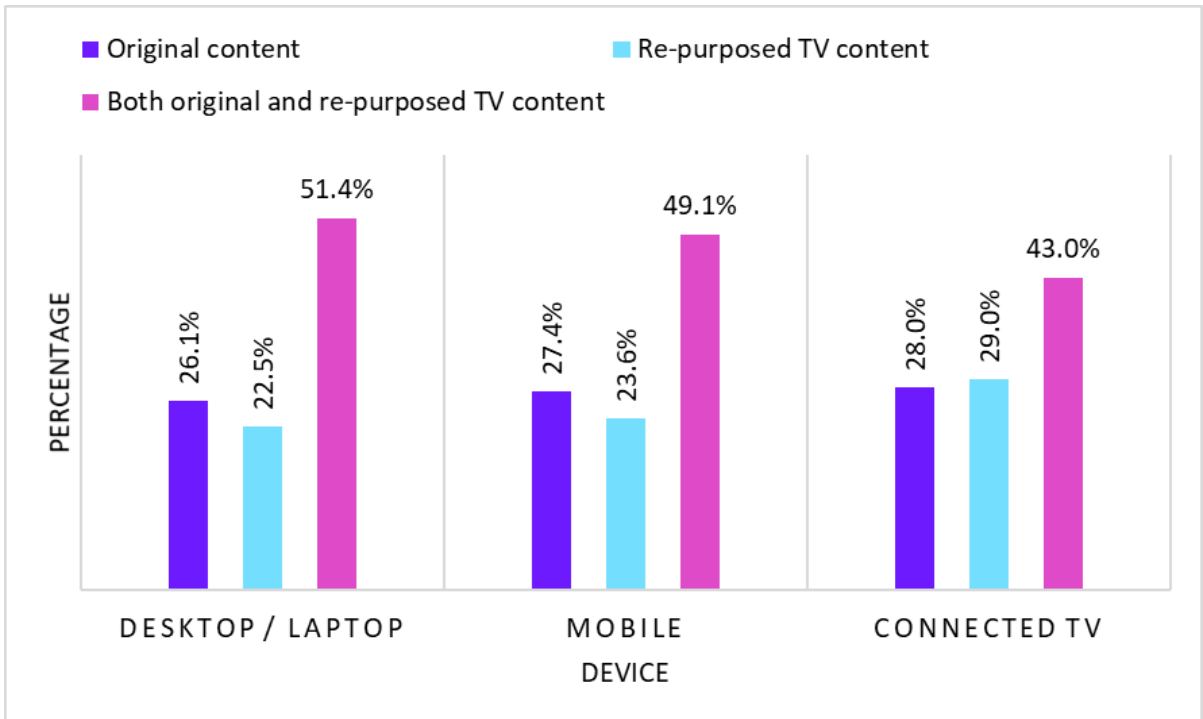
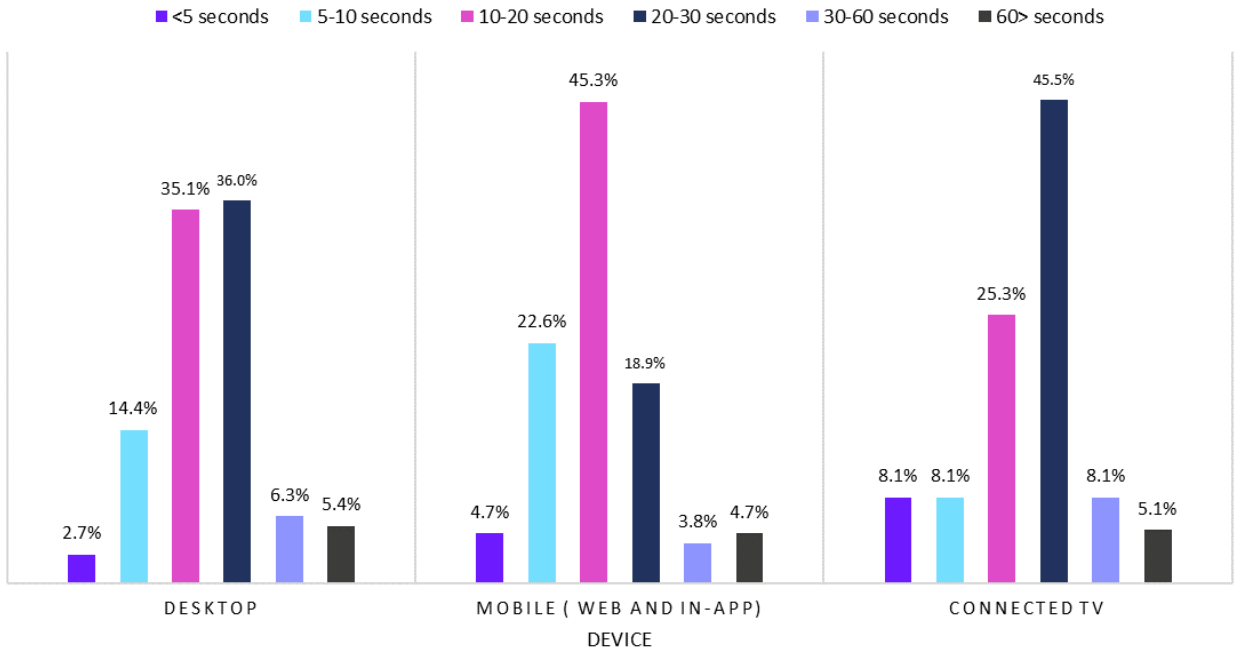


Figure 15 Respondents Using Repurposed Content, Original Content, or a Mix of the Two for Digital Video Campaigns by Device Type



Interestingly, while content may often be shared across devices and TV, the length of video advertising varies according to screen type. Ads on CTV trend towards a longer playtime, with a relative majority (45%) of advertisers buying slots of between 20 and 30 seconds. While a plurality of advertisers also selected 20 to 30 second for desktop it was a much lower proportion (36%) and close to the second highest option (35% selected 10-20 second slots for desktop). On mobile, the relative majority (45%) selected the shorter 10-20 second slots. This makes sense. As a larger format CTV is a more appropriate device for longer playing ads.

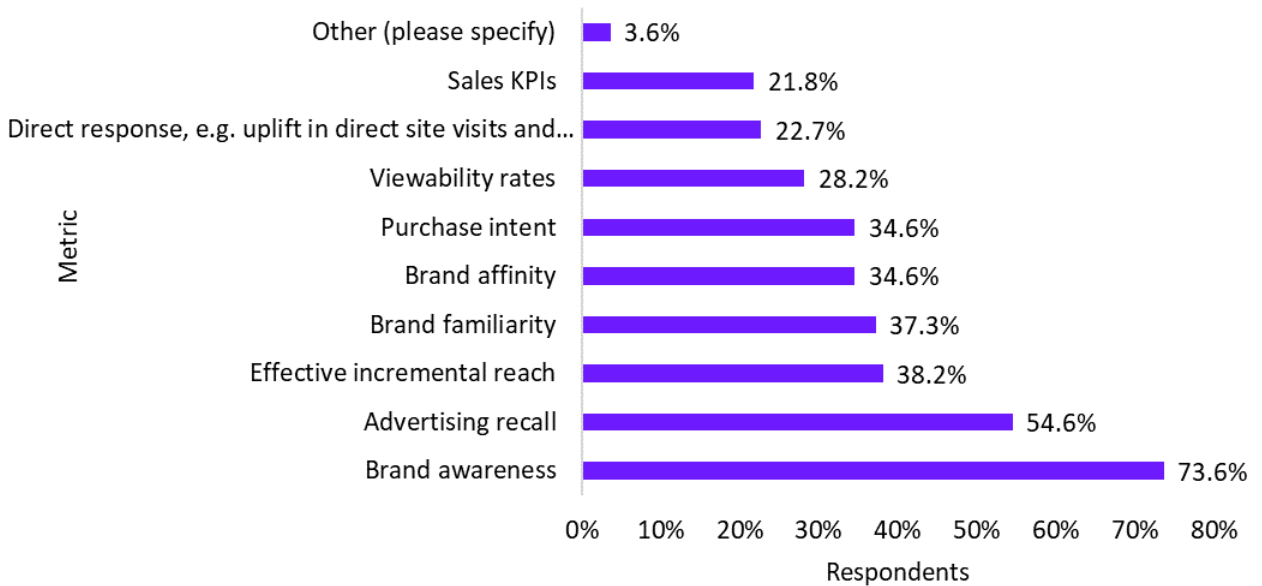
Figure 16 Digital Video Buys by Length and Screen Type



Section 6. Measurement And Metrics

Given that brand is the key advertising goal for digital video advertising budgets (see above), it is unsurprising that most respondents noted brand awareness as the key metric that is uplifted by combining digital video and TV advertising (selected by 74% of respondents), followed by advertising recall (55%). Similarly it fits with the findings that performance is less of a consideration for digital video advertising that sales KPIs and direct response (e.g., uplift in site visits) are less affected by combining digital video and TV advertising.

Figure 17 Advertising Metrics that are Uplifted by Combining Digital Video Advertising with TV Advertising



Transactional and Campaign Metrics

When we look at which transactional metrics advertisers and agencies use for digital video advertising campaigns, the brand use case once again makes itself apparent. The top two metrics selected by respondents relate to brand building: cost per completed view (67%) and reach and frequency (55%). Clearly, advertisers want videos that are viewable and viewed by many.

The same holds true of digital video campaign metrics where brand awareness is selected by a majority of respondents (54%) as the key metric for elevating campaigns, followed by completion rates (53%).

Figure 18 Transactional Metrics Used for Digital Video Advertising Campaigns

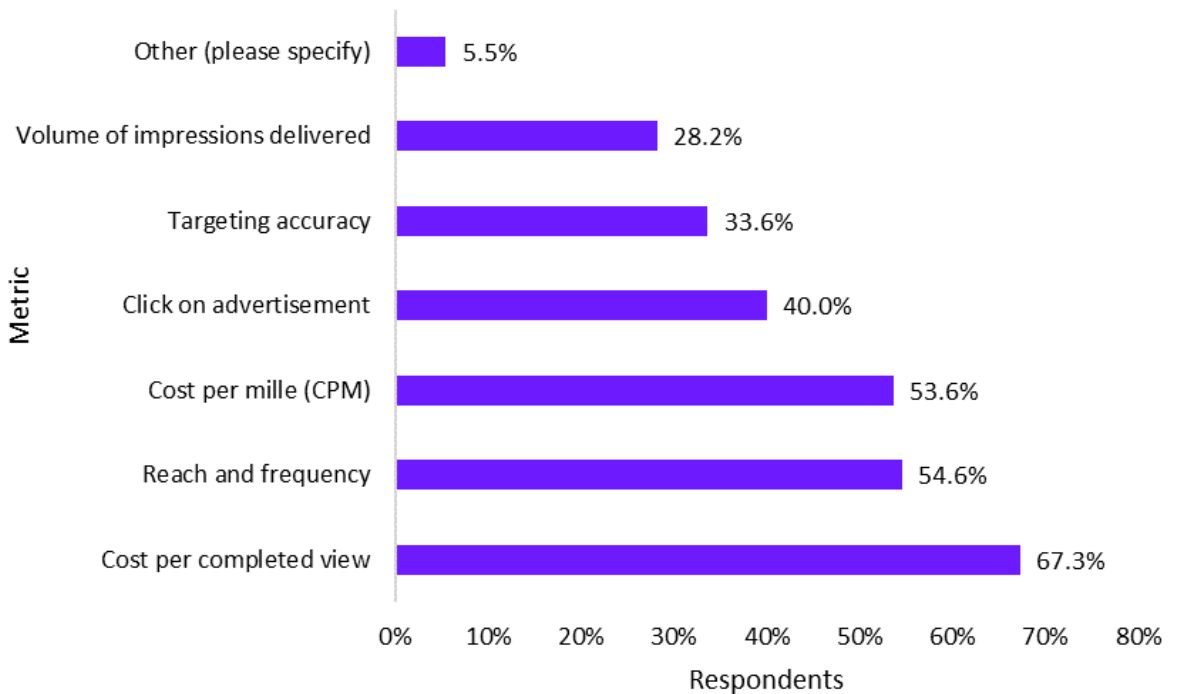


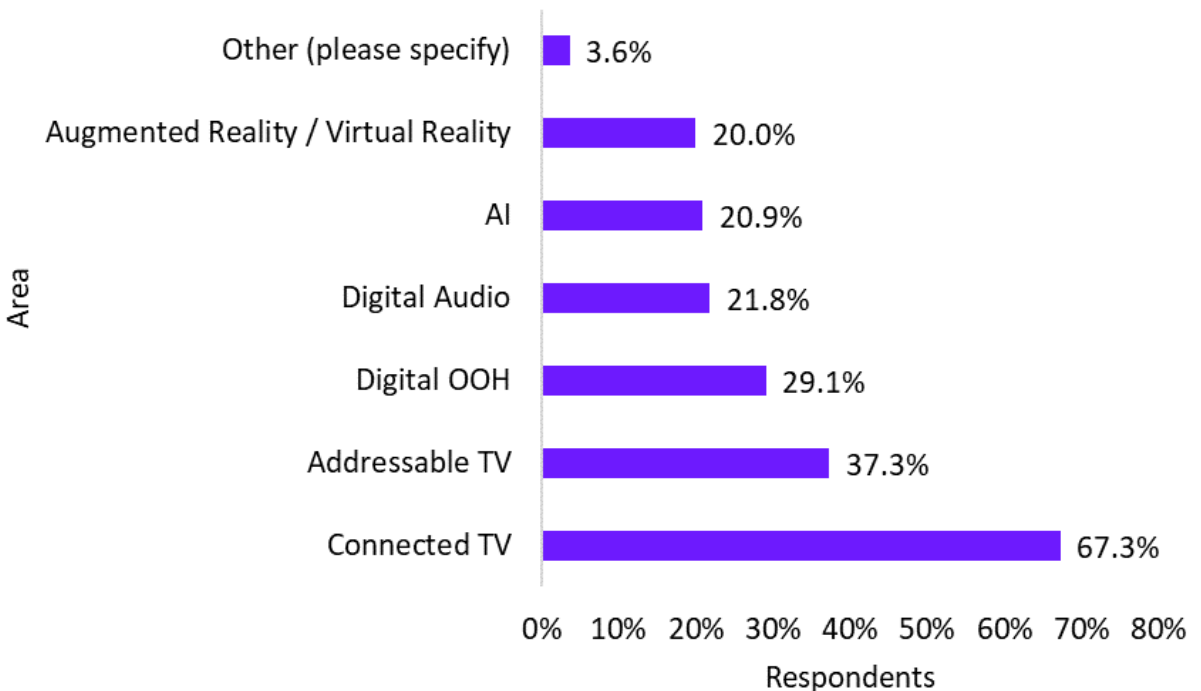
Figure 19 Campaign Metrics Used to Elevate Digital Video Campaigns



Digital Video Growth Areas and New Formats

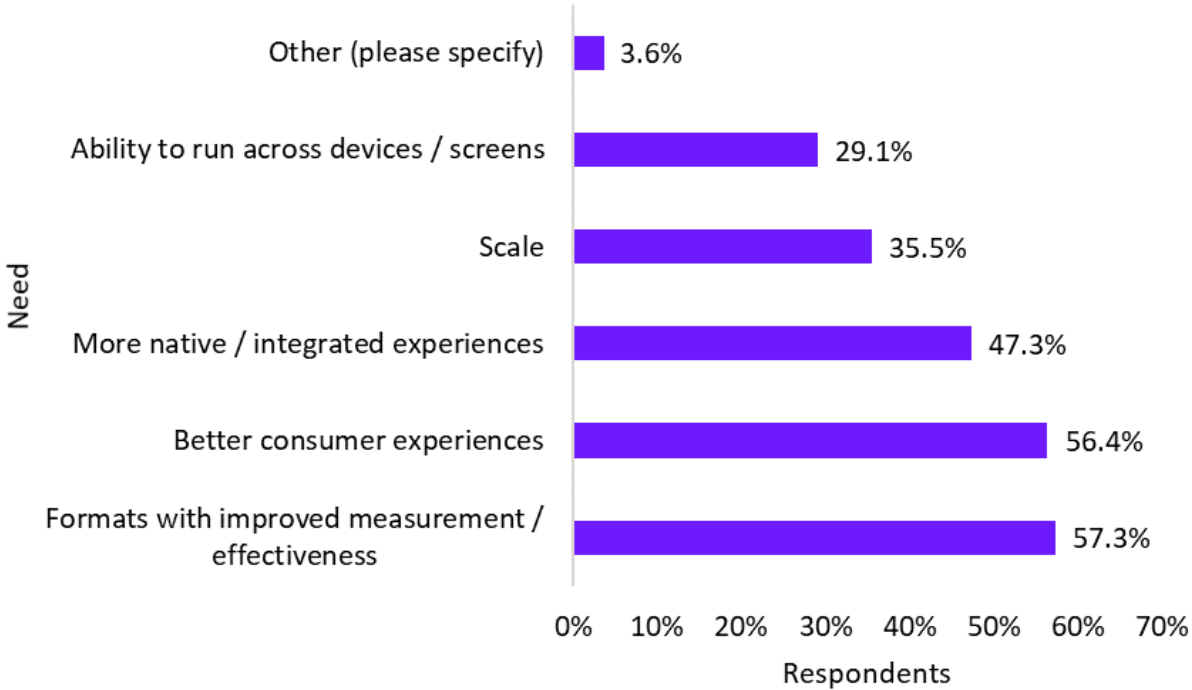
What will be the areas of growth for digital video advertising over the next year? According to our survey one area in particular will deliver growth: connected TV. Identified by 67% of respondents, CTV is an outlier and well ahead of the area selected by the second highest proportion of respondents: addressable TV (37%). The growth predicted for CTV means that the comparatively low spend seen today (see "Investment by Format and Format Type" above) will shift dramatically over the next 12 months.

Figure 20 Key Digital Video Growth Areas Over the Next 12 Months



According to our research, there are several key drivers for the growth of new video formats including improved measurement/effectiveness (57%), better consumer experiences (56%), and more native / integrated experiences (47%). These findings once again confirm digital video advertising's role as a channel for brand building: advertisers and agencies want measurable brand campaigns that deliver a memorable experience for their target audiences.

Figure 21 Reasons Advertisers Look to Use New Video Formats



Summary

Digital video advertising is quickly becoming a key channel for brand building campaigns in Europe. Advertisers and agencies are leveraging a range of new and repurposed content to deliver campaigns that boost the reach of their broadcast campaigns - although cross-screen measurement is still seen as a barrier to investment.

While investment in connected TV currently lags desktop and mobile, this is only to be expected given the relative maturity of these various technologies. However, CTV is set to become a high growth area and an increasingly central element of digital video advertising. The findings of our report speak to an advertising sector that is focusing digital video content around the needs of consumers. That will ultimately benefit all - consumers through more relevant experiences, and companies through compelling brand building campaigns and all that delivers.

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