Video Advertising Requires New Monetization Strategies

Publishers Lean Into Video Header Bidding And Cross-Platform Solutions

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Publishers look to partners that can monetize data, provide identity solutions, and bring new sources of demand.

Executive Summary

As global publishers embrace digital video as a premium advertising vehicle, they are discovering that monetizing video inventory requires different strategies, capabilities, and best practices from what they've become accustomed to with traditional display. Publishers have had a significant shift in tactics, partners, and tools to embrace the future of video advertising. Despite this necessary shift, gaps in technology and skills abound, pushing publishers to seek cross-platform partner support for the future.

In September 2019, PubMatic commissioned Forrester Consulting to evaluate global video ad monetization trends. To explore this topic, Forrester conducted an online survey with 622 sales, operations, and IT professionals at the director level and above at publishers and media companies in the US, Europe, and APAC. We found that understanding and mastering different video monetization tactics (like programmatic placements and header bidding) while embracing a cross-platform partner can mean the difference between wasted and optimal value recognition from publishers' prime inventory.

KEY FINDINGS

› **Publishers embrace programmatic advertising and header bidding for video monetization.** Publishers anticipate growth in both programmatic video advertising and header bidding and seek to maximize ad revenue (61.3%), increase fill rates (57.7%) and improve demand optimization (53.6%). While mobile video advertising growth outpaces desktop video, publishers lag in implementing key programmatic strategies, like header bidding, as implementation continues to be a challenge on mobile.

› **In the midst of technology gaps, cross-platform video partners can lend support.** While 64.2% struggle with a lack of technology tools to optimize their inventory, publishers also report planned growth in video header bidding across channels. The growth in implementation across formats and channels underlines the need for partners with omnichannel programmatic expertise, particularly with the challenging implementations faced on mobile.

› **Publishers look to audience-based solutions to capitalize on the future of video.** Publishers look to partners that can monetize first- and second-party data (58.8%), provide identity solutions/capabilities (55.0%), and bring new sources of demand across platforms and formats (44.9%).

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Publishers Embrace Programmatic Advertising And Header Bidding For Video Monetization

As video viewership grows, publishers have a unique opportunity to embrace new tactics to optimize their inventory. Worldwide digital video ad spending reached $45 billion in 2019 and is expected to exceed $61 billion by 2021, growing at an 18% annual growth rate.[1]

As video advertising opportunities grow, global publishers must learn and adapt to effectively monetize their cross-platform video inventory, embracing programmatic selling increasingly through header bidding. It is expected that mobile advertising will constitute 73.7% of global advertisers' digital ad spend in 2020.[2] This presents an opportunity with mobile video, but the platform poses a unique set of challenges for publishers. In surveying 622 global publishing and media professionals, we found that:

› **Global publishers embrace video across platforms, including mobile and connected TV (CTV).** This is evident in the planned growth across all channels. The top ad channels for video ad placements both today and anticipated for 12 months from now are, in ranked order, mobile app, mobile web, desktop, over-the-top (OTT), and connected TV. Over the next year, publishers plan to increase their video ad placements on mobile apps (12.1%), mobile web (18.8%), and desktop (18.2%). Although currently at a smaller share of the market, OTT and CTV are expected to grow the fastest over the next 12 months at 21.0% and 25.7%, respectively, as more households become connected (See Figure 1). CTV and OTT are more mainstream forms of consumption than ever before. In 2018, 68% of US households had internet-enabled TV-connected devices.[3] Every year since 2012, there has been an "almost 10% increase in the number of people who have access to a connected TV device, with daily viewing minutes doubling on average every year."[4] As this usage has skyrocketed in households, publishers have made large strides in their OTT and CTV placements to capture more of the market with this rapidly rising platform.

› **Publishers adopt automation as part of their video ad monetization strategies.** Publishers see the growing importance in the role programmatic technology plays in optimizing their inventory. The top benefits are better ad revenues (63.3%), improved demand optimization (56.8%), and more granular insights (55.1%).

› **Publishers are planning to direct more investments into private marketplaces (PMPs) on both desktop and mobile video.** Currently, the open market is the top-selling channel for mobile video ads. With the rise in opportunity across publishing platforms, media companies and publishers add both open market and private marketplaces to their video ad monetization initiatives — for both desktop and mobile video (see Figure 1). Private marketplace usage is expected to grow faster than the open market across both devices.

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Figure 1

Programmatic Video Ad Growth Rates By Platform

Transaction methods	Planned 12-month % usage growth rate for desktop	Planned 12-month % usage growth rate for mobile
Programmatic open market	11.4%	11.2%
Private marketplace	12.6%	11.7%

Video Ad Placement Growth Rates By Channel

Channels	Planned 12-month % growth in channel usage rate
Over-the-top	21.0%
Connected TV	25.7%

Base: 622 director level and above sales, operations, and IT professionals at publishers/media companies in the US, Europe, and APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, October 2019

› **Header bidding helps publishers maximize video ad revenue.**
Header bidding creates opportunities by flattening the waterfall and creating a unified auction, which increases bid opportunities and bid value. As a result, the use of header bidding helps publishers maximize ad revenue, increase fill rates, and improve demand optimization (see Figure 2).

Figure 2: Top 5 Benefits Realized From Video Header Bidding

61.3% Maximized ad revenue

57.7% Increase in fill rate

53.6% Improved demand optimization

51.8% Improved user experience

51.6% Increase in bid rate
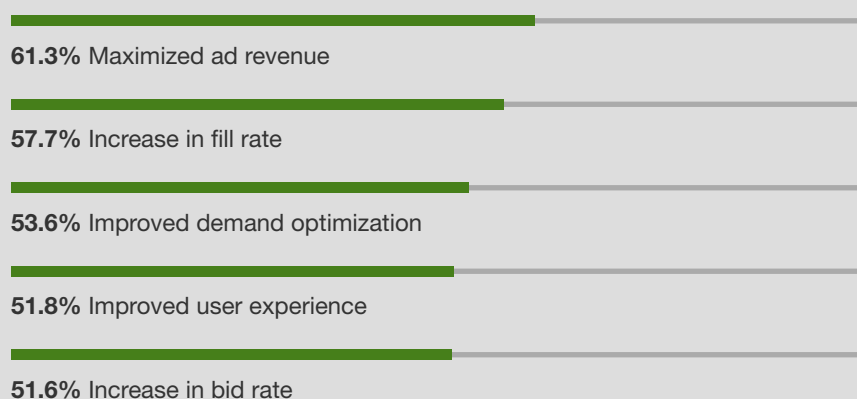
Base: 612 director level and above sales, operations, and IT professionals at publishers/media companies in the US, Europe, and APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, October 2019

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› **Header bidding implementation is now a best practice.** Because of these benefits, header bidding is rapidly becoming a best practice for publishers that wish to monetize and effectively manage their video inventory. These benefits drive growth in implementation for both desktop and mobile. The most popular programmatic integration strategy varies by device, with client-side header bidding ranked at the top for desktop and open real-time bidding in the top spot for mobile (see Figure 3).
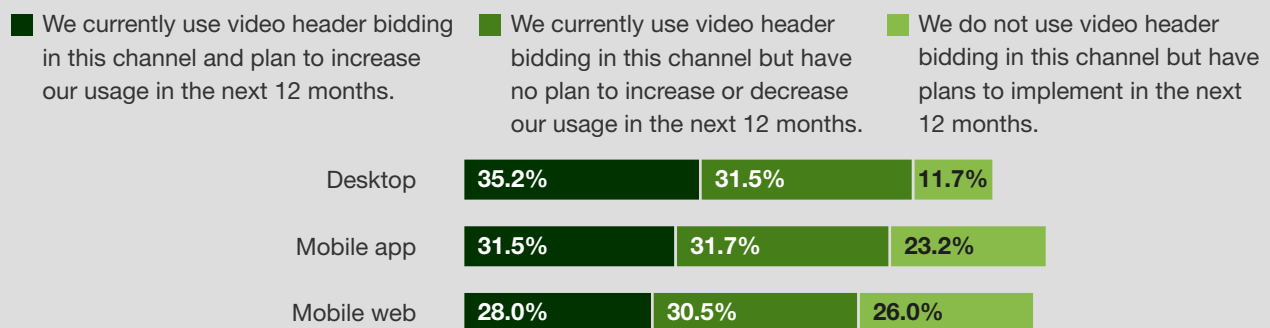
Figure 3: Top Programmatic Integration Strategies In Use

Desktop	Mobile
1. Client-side header bidding integrations **(57.4%)**	1. Open real-time bidding (oRTB) **(58.5%)**
2. Hybrid* header bidding **(54.2%)**	2. Client-side header bidding integrations **(57.4%)**
3. Tag-based integrations **(50.6%)**	3. Hybrid* header bidding **(55.5%)**
4. Server-side header bidding integrations **(47.4%)**	4. Server-side header bidding integrations **(51.1%)**
5. Open real-time bidding (oRTB) **(46.6%)**	5. Tag-based integrations **(45.2%)**

*Hybrid refers to a combination of client-side and server-side header bidding strategies.
Base: 622 director level and above sales, operations, and IT professionals at publishers/media companies in the US, Europe, and APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, October 2019

› **Publishers prepare for the future as innovation expands around header bidding.** Despite challenges app developers face with video header bidding implementations, plans for video header bidding growth are on the horizon. In 12 months, mobile app and mobile web implementations will likely outpace desktop due to planned growth in the space (see Figure 4). Mobile app shows the most growth, with 31.5% expanding their usage and 23.2% implementing for the first time.

Figure 4: Header Bidding Implementation Plans

■ We currently use video header bidding in this channel and plan to increase our usage in the next 12 months.

■ We currently use video header bidding in this channel but have no plan to increase or decrease our usage in the next 12 months.

■ We do not use video header bidding in this channel but have plans to implement in the next 12 months.

Desktop	35.2%	31.5%	11.7%
Mobile app	31.5%	31.7%	23.2%
Mobile web	28.0%	30.5%	26.0%

Base: 622 director level and above sales, operations, and IT professionals at publishers and media companies in the US, Europe, and APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, October 2019

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In The Midst Of Tech Gaps, Cross-Platform Video Partners Can Lend Support

As publishers look to further monetize their inventory and capture more of the market, significant gaps that exist both internally and with some technology partners hold them back. In a look at video monetization challenges, we found that:

› **Lack of technology leads the challenges of video monetization.** A lack of technology sits at the top of list of resource issues for surveyed companies (see Figure 5). The rapid pace of change in ad formats and programmatic processes leaves publishers striving to catch up. At least one-third of companies find all of these things very or extremely challenging, with two-thirds struggling with the lack of technology — as the ability to find the *right* tools/technology to meet growing needs is difficult. Each of these challenges compounds the next, as those that struggle with finding, getting, and keeping the right staff may also struggle with educating the employees they *do* have on their technology and processes. The lack of budget may keep others from ever getting the right employees at all, hindering education offerings, or preventing them from owning the right tools that they need to alleviate all of these other challenges. Without the right technology, tools, and partners in place, it is difficult to keep and maintain the right staff. The solution to these challenges requires addressing the most challenging task first: leveraging the right technology (including tech tools and partners) for successful video monetization.
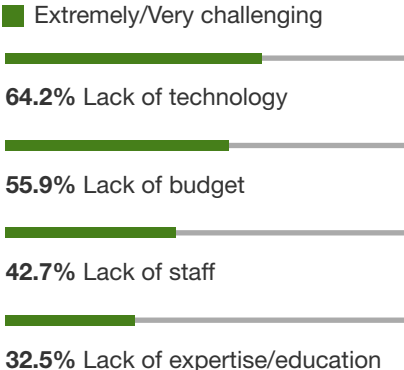
› **Tech gaps magnify implementation and optimization challenges.** With two-thirds of publishers struggling with a lack of technology, it is critical to understand where those gaps lie. Publishers report that they have large video tech gaps in:

- Channel-specific implementations (52.7%).

- Demand optimization tools (49.8%).

- Video player compatibility (46.0%).

- Understanding use cases for VAST/VPAID (40.5%).

These challenges lead to debilitating consequences that keep companies from effectively monetizing their video inventory, including a lack of data control, poor reporting, and failure to optimize demand (see Figure 6).

Figure 5: Challenges Of Implementing Or Managing Video Monetization

■ Extremely/Very challenging

64.2% Lack of technology

55.9% Lack of budget

42.7% Lack of staff

32.5% Lack of expertise/education

Base: 622 director level and above sales, operations, and IT professionals at publishers/media companies in the US, Europe, and APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, October 2019

Figure 6: Top Challenges Organizations Face With Video Monetization
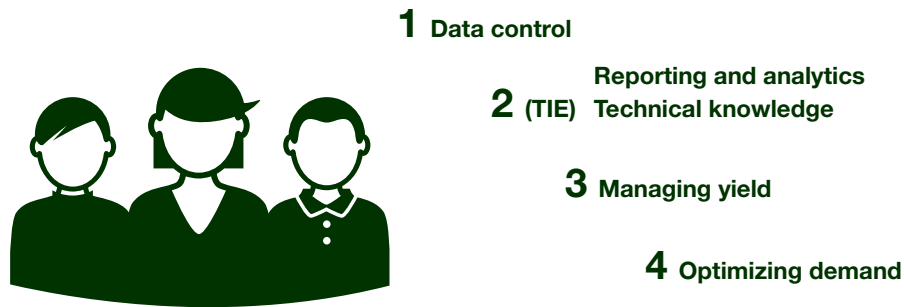
1 **Data control**

2 **(TIE)** **Reporting and analytics**
Technical knowledge

3 **Managing yield**

4 **Optimizing demand**

Base: 622 director level and above sales, operations, and IT professionals at publishers/media companies in the US, Europe, and APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, October 2019

› **Video header bidding implementation is particularly challenging
for mobile.** Although header bidding is a proven solution for many
monetization challenges, 39% of publishers find video header bidding
implementation challenging for mobile and 31% for desktop. While
the lack of internal knowledge, skill sets, and development resources
top the list for both, those faced with mobile implementations are
more likely to cite a lack of vendor support as a reason for their
challenges (see Figure 7). While publishers are struggling internally
to get the support and skills needed to tackle challenges unique to
desktop and mobile platforms, a platform partner that provides cross-
platform support could alleviate much of this strain.

Figure 7: Reasons For Challenging Implementation Of Video Header Bidding On Desktop/Mobile

Mobile (N = 158)   Desktop (N = 151)

	Mobile	Desktop
Lack of internal knowledge or skill set	44.3%	47.0%
Lack of development resources	37.3%	36.4%
Lack of vendor support	34.8%	30.5%
Lack of executive support	32.9%	32.5%
Inability to see benefits of this	25.3%	21.9%
Not a priority for our company vision	19.6%	17.9%

Base: Variable director level and above sales, operations, and IT professionals at publishers/media companies in the US, Europe, and APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, October 2019
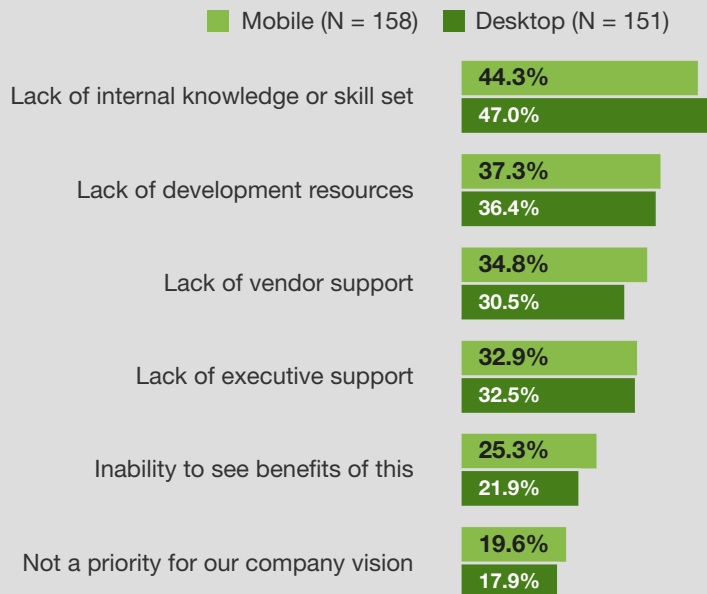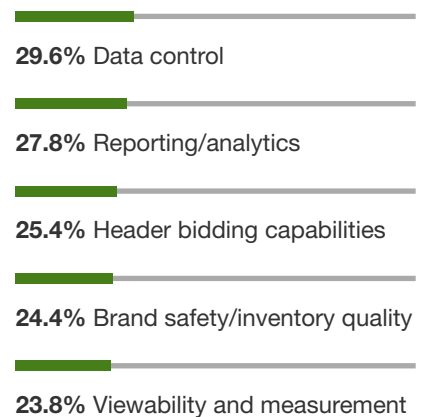
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› **Mobile, CTV, and OTT will drive header bidding growth.** These technology gaps are most visible in the implementation of header bidding. Because desktop header bidding penetration is higher than mobile, investments will be more aggressive on mobile; nearly one-quarter of publishers report they are still planning their header bidding implementation on mobile vs only 11.7% that are at this stage with desktop. While header bidding is nascent in CTV and OTT, a net-new number of publishers plan to adopt header bidding across these formats, at 20.6% and 24.9%, respectively. These new implementations will drive even faster header bidding growth overall as publishers refine their video ad strategies.

Publishers Look To Audience-Based Solutions To Capitalize On Future Of Video

Publishers want to monetize inventory today while securing future revenue streams in this rapidly changing space. In a look at the future of video publishing, we found that:
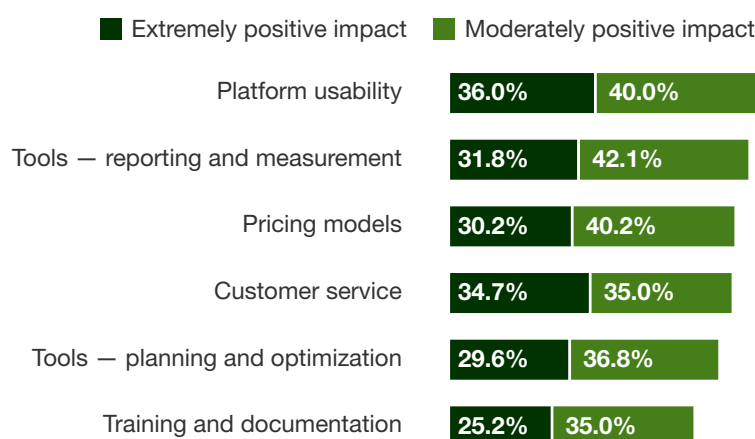
› **There is room for future growth in cross-platform video header bidding.** Looking to the future, there is clear room for growth in header bidding. While many are looking to it to maximize ad revenue, increase fill rate, and improve demand optimization, only about half of programmatic video advertisements are supported by header bidding in desktop (53.6%) and mobile (48.6%). Because publishers strongly seek these benefits, we expect these numbers to rise especially as solutions for OTT and CTV come to market.

› **Publishers look to supply-side platforms (SSPs) that can provide data control and transparency and further optimize revenue with analytics tools.** Due to support challenges and planned header bidding growth, publishers deem data control, analytics, and header bidding capabilities of a supply-side platform (SSP) as the top tools critical to their success in video ad monetization (see Figure 8).

› **Monetization relies on platform usability and effective reporting.** Publishers report that video monetization success hinges on platform usability and reporting and measurement tools, as well as customer service (see Figure 9). Both quantitative (reporting, pricing) and qualitative (customer service, training) features are critical to success, underlining the need for publishers to engage with a cross-platform video partner that can provide well-rounded services so publishers can better optimize and understand their placements.

Figure 8: Top 5 Critical Features Of SSPs For Successful Video Monetization

29.6% Data control

27.8% Reporting/analytics

25.4% Header bidding capabilities

24.4% Brand safety/inventory quality

23.8% Viewability and measurement

Base: 622 director level and above sales, operations, and IT professionals at publishers/media companies in the US, Europe, and APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, October 2019

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Figure 9: Extent That Drivers Contributed To Successful Video Monetization

■ Extremely positive impact ■ Moderately positive impact

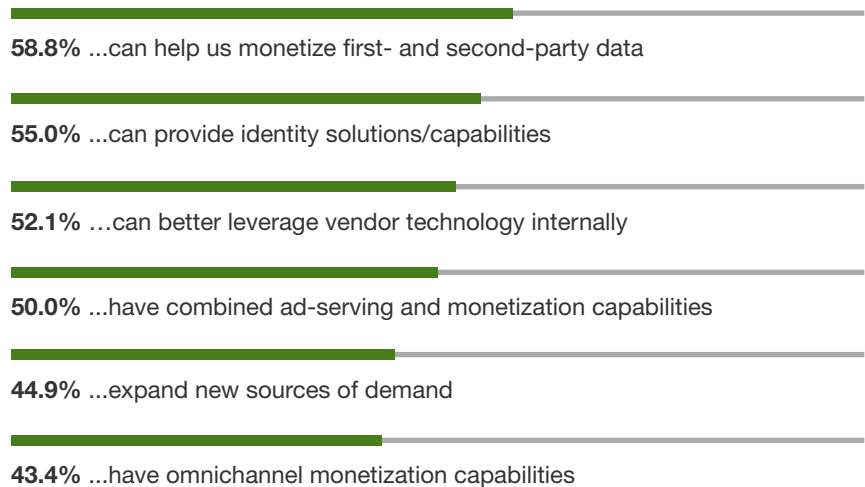| Driver	Extremely positive impact	Moderately positive impact
Platform usability	36.0%	40.0%
Tools — reporting and measurement	31.8%	42.1%
Pricing models	30.2%	40.2%
Customer service	34.7%	35.0%
Tools — planning and optimization	29.6%	36.8%
Training and documentation	25.2%	35.0%

76% say platform usability has had a moderately/ extremely positive impact on successful video monetization.

Base: 622 director level and above sales, operations, and IT professionals at publishers/media companies in the US, Europe, and APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, October 2019

› **The future of advertising is video.** In this rapidly changing space, publishers must prepare for what is next. Regarding what the future of video advertising looks like, publishers are focused on:

- **A need for cross-platform compatibility and flexibility.** "The need for advertisers to work on many platforms is only going to increase." – Director at a media organization with 1,000 to 4,999 employees

- **A future where video advertising is dominant.** "The future of advertising is video." – C-level executive at a media organization with 100 to 499 employees

- **Mobile application growth.** "There will be new and innovative ways to embed [videos], especially in mobile applications." – Director at a publishing organization with 500 to 999 employees

- **A positive future based on platforms usability and profitability.** "The platforms we use for video advertising are developing, and the sales on those platforms are increasing." – C-level executive at a publishing organization with 100 to 499 employees

› **Beyond basic ad monetization, publishers look to monetize data and support identity solutions.** As publishers work to fill gaps in their video capabilities, they seek partners that can monetize data, provide identity resolution, and bring new sources of demand (see Figure 10). These capabilities are central to how advertisers understand, reach, engage, and measure audiences across platforms. Blending these capabilities with a partner that offers better data control, analytics, and header bidding will enable publishers to stay in tune with continuing changes in the market.

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Figure 10: Publishers Are Looking For Support

"We are looking for partners who . . ."

58.8% ...can help us monetize first- and second-party data

55.0% ...can provide identity solutions/capabilities

52.1% ...can better leverage vendor technology internally

50.0% ...have combined ad-serving and monetization capabilities

44.9% ...expand new sources of demand

43.4% ...have omnichannel monetization capabilities

Base: 622 director level and above sales, operations, and IT professionals at publishers/media companies in the US, Europe, and APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, October 2019

Key Recommendations

This report paints a picture of change and challenges in the area of cross-platform video monetization — with wide gaps among companies for the right technology, budget, skills, education, and partners to meet their goals. Some in the industry are ahead of the curve; others lag these leaders. If you are not one of the leaders, make 2020 the year where you catch up. If you are a leader, continue to match the ongoing evolution of monetization strategies as consumer behaviors shift and new technologies arise to meet emerging needs.

Forrester's in-depth survey about global video publishing yielded several important recommendations:

Implement best practices such as header bidding for your mobile video monetization strategy. With the mobile web and apps accruing more and more consumer media time, it has become increasingly critical to your revenue growth. If your firm is like many in this survey, mobile lags desktop in the implementation and maturity of key elements of monetization such as header bidding. You simply can no longer afford to allow gaps in your budget or technology to hold you back from embracing the proven results of header bidding across platforms. Devote resources in 2020 to bring mobile up to — or exceed — the level of implementation of your desktop monetization strategy.

Build programmatic skills. Programmatic is here to stay, and the technical approaches to implementing it will likely continue to evolve. Like many organizations, your company may be facing a skills gap in this area due to the inability to find skilled staff or the lack of education resources. Because these skills are so critical to monetizing your inventory and leveraging your tech providers, invest in people with the skills to keep your firm apace with these changes. If you are unable to hire skilled individuals — and talent is scarce in this area — invest in educating your current staff, perhaps offering the opportunity to attend a training class as recognition for top-performing staff members.
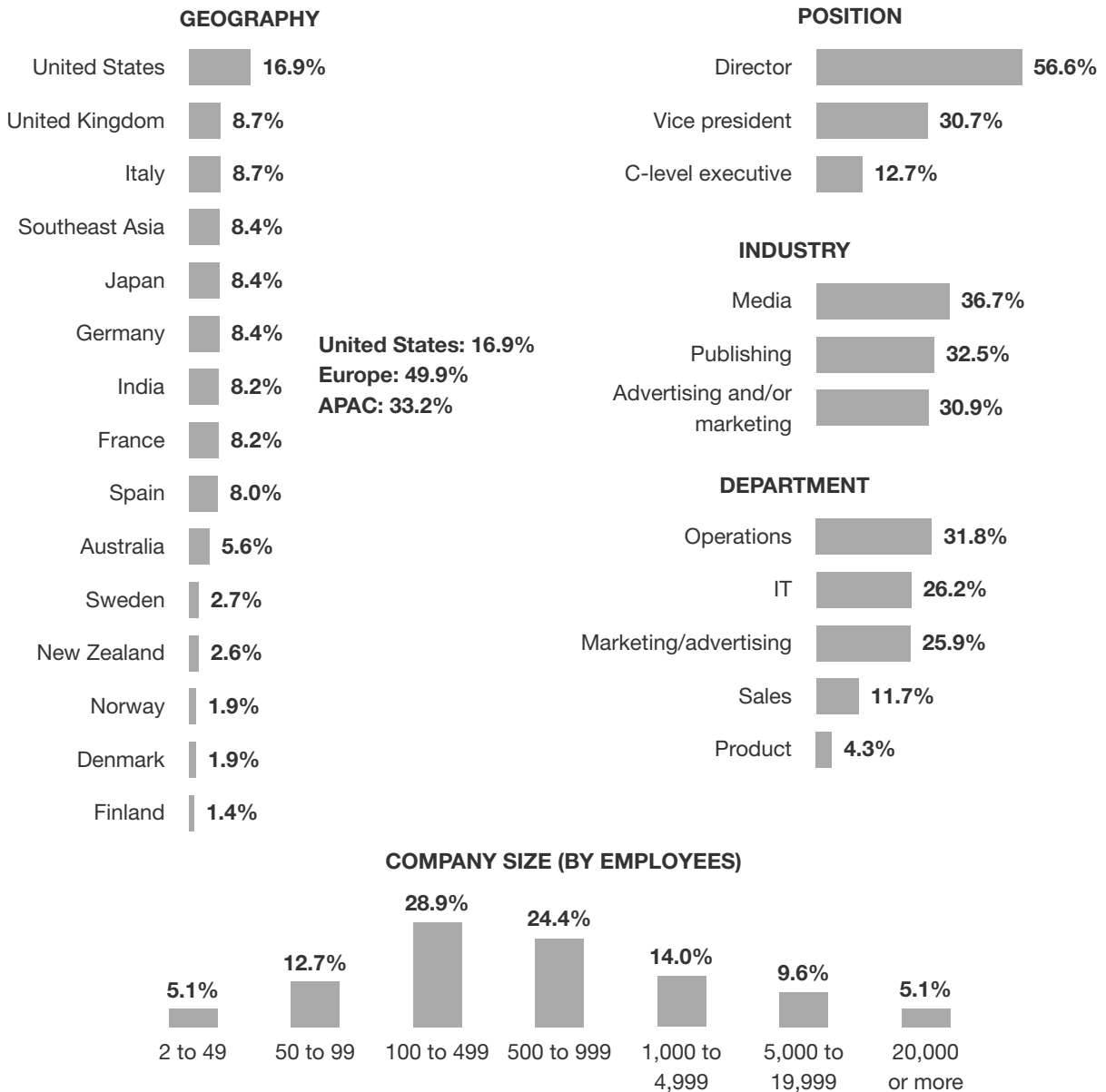
Review partners and ensure they are aligned to your company's omnichannel monetization roadmap. Engage with omnichannel partners that can deliver cross-channel video experiences and help you embrace the future of video advertising. With the planned growth in video header bidding and programmatic video advertising across platforms and channels, it is imperative to work with partners that do not operate in channel silos and have broader capabilities beyond basic ad monetization. You should work with a partner with top-tier skills like second-party data monetization and identity solutions to future-proof your organization's video strategy. Respondents noted that their current partners don't always have all the skills or cross-channel support they need. If this is true of your firm, don't allow this to continue through 2020 and risk falling behind competitors. Honestly assess your firm's needs and gaps, review them with your current partner, and get commitments from them to provide what you need to help you monetize your inventory. One thing every firm needs: an innovative partner. Cross-platform video monetization is the next big video publisher opportunity. Successful partners will provide the teams, tools, and tech to help publishers capture the audience and yield ad revenue benefits across all addressable digital video content: desktop, mobile web, mobile app, OTT, and CTV.

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Appendix A: Methodology

To explore global video publishing trends for this study, Forrester conducted an online survey with 622 sales, operations, and IT professionals at the director level and above at publishers and media companies in the US, Europe, and APAC. The study was completed in October 2019.

Appendix B: Demographics/Data

GEOGRAPHY

United States	**16.9%**
United Kingdom	**8.7%**
Italy	**8.7%**
Southeast Asia	**8.4%**
Japan	**8.4%**
Germany	**8.4%**
India	**8.2%**
France	**8.2%**
Spain	**8.0%**
Australia	**5.6%**
Sweden	**2.7%**
New Zealand	**2.6%**
Norway	**1.9%**
Denmark	**1.9%**
Finland	**1.4%**

United States: 16.9%
Europe: 49.9%
APAC: 33.2%

POSITION

Director	**56.6%**
Vice president	**30.7%**
C-level executive	**12.7%**

INDUSTRY

Media	**36.7%**
Publishing	**32.5%**
Advertising and/or marketing	**30.9%**

DEPARTMENT

Operations	**31.8%**
IT	**26.2%**
Marketing/advertising	**25.9%**
Sales	**11.7%**
Product	**4.3%**

COMPANY SIZE (BY EMPLOYEES)

2 to 49	50 to 99	100 to 499	500 to 999	1,000 to 4,999	5,000 to 19,999	20,000 or more
5.1%	**12.7%**	**28.9%**	**24.4%**	**14.0%**	**9.6%**	**5.1%**

Base: 622 director level and above sales, operations, and IT professionals at publishers/media companies in the US, Europe, and APAC
Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, October 2019

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Appendix C: Endnotes

[1] Source: Hercher, James, "Zenith Forecasts $45B in Video Ads This Year, But TV Is Still King," Ad Exchanger, September 16, 2019 (https://adexchanger.com/online-advertising/zenith-forecasts-45b-in-video-ads-this-year-but-tv-is-still-king/).

[2] Source: "Key Facts About India Digital Landscape," Chandler Nguyen, October 14, 2016 (http://www.chandlernguyen.com/blog/2016/10/14/key-facts-about-india-digital-landscape/).

[3] Source: "The Nielson Total Audience Report," The Nielson Company, Q3 2018 (https://www.nielsen.com/wp-content/uploads/sites/3/2019/04/q3-2018-total-audience-report.pdf).

[4] Source: Tarpey, Amanda, "What We Need To Talk About When We Talk About Connected TV," The Nielson Company, June 28, 2018 (https://www.nielsen.com/us/en/insights/article/2018/perspectives-what-we-need-to-talk-about-when-we-talk-about-connected-tv/).