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It's Time For Media Companies To Meet The Streaming Video Moment

How Publishers Can Position Themselves To Capture Programmatic OTT Benefits And Revenue

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FORRESTER OPPORTUNITY SNAPSHOT: A CUSTOM STUDY COMMISSIONED BY PUBMATIC | OCTOBER 2020

Publishers Stand To Reap Benefits From A Bolder Programmatic OTT Strategy

In 2020, consumer adoption of over-the-top (OTT), the delivery of long-form video content via the internet, has skyrocketed. And where consumers go, advertisers soon follow, giving publishers more ad opportunities to offer — and more to manage. Publishers have embraced programmatic platforms and channels to better manage pricing and the range of other digital channels. While publishers see programmatic OTT as delivering execution and automation benefits, they remain cautious about leaning into the strategy fully. With the right processes and resources to implement it effectively, however, publishers can reap benefits while addressing their concerns.

In 2020, PubMatic commissioned a custom study from Forrester Consulting to understand how publishers are capturing the opportunity of OTT's emergence as a major media channel.

Key Findings



Most publishers anticipate programmatic revenue growth from OTT content while fewer than half expect growth from linear TV advertising.



Publishers are concerned about quality and security and would feel more comfortable pursuing auction-based programmatic OTT if there was more security in place and less fraud.



Publishers that are utilizing programmatic OTT are reaping financial, analytical, and customer-centric benefits.

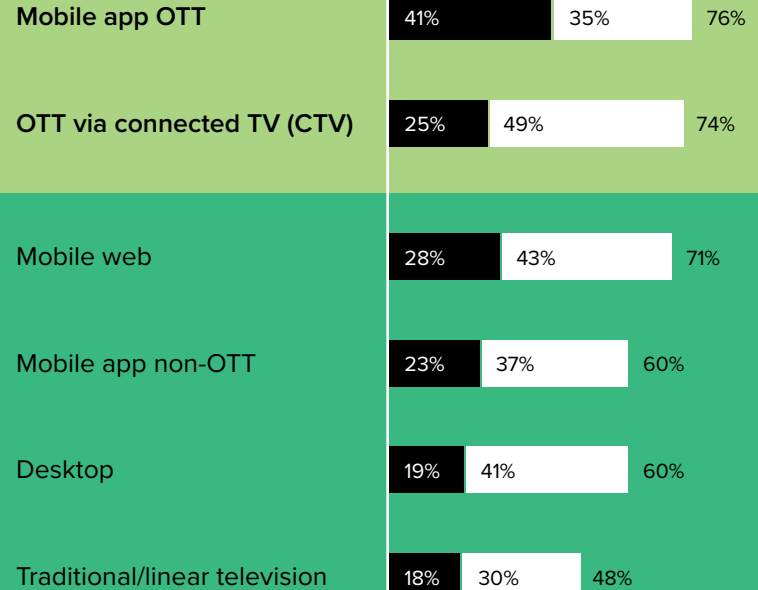
Publishers Anticipate Growth In OTT Revenue In 2021

Consumers discover favorite TV shows and movies as well as compelling new content through the convenience of streaming, giving publishers more advertising opportunities to offer and pursue. Growth of ad-supported streaming on connected TVs (CTV) and mobile devices provides new programmatic video advertising revenue opportunities.

This study of 150 decision-makers at digitally centered publishers with ad-supported streaming content found that OTT ad revenue currently lags mobile and desktop, but it is still a significant source (approximately a quarter) of programmatic video advertising income. In the next 12 months, however, roughly 75% of respondents expect ad revenue from OTT content to grow. In contrast, fewer than half of respondents expect linear TV advertising revenue to increase, making OTT essential to publishers' growth strategies.

“How do you expect your programmatic video advertising revenue mix to change in the next 12 months?”

● Increased by 10% or more ● Increased by less than 10%











Auction-Based Programmatic OTT Is On The Rise

Programmatic selling is becoming the dominant transaction model for display, mobile, and social ads.¹ But while they continue to lean into programmatic selling, publishers won't necessarily take the same path with OTT that they followed for other digital channels.

Instead, publishers are taking a more cautious approach with OTT, as a large part of revenue today comes from programmatic guaranteed and programmatic direct deals due to their more familiar selling methods and greater price certainty. While programmatic guaranteed is still going to be the favored OTT transaction model, revenue from auction-based programmatic and private marketplace models are expected to increase in the coming year, cannibalizing programmatic direct and direct sold transactions.

“What percentage of your OTT advertising revenue takes place via each of the following transaction models today? How will your transaction model mix change in the next 12 months?”

TRANSACTION MODEL	EXPECTED TO CHANGE IN THE NEXT 12 MONTHS
 Programmatic guaranteed	
 Programmatic direct (nonguaranteed)	
 Open-market/auction-based programmatic	
 Private marketplace (PMP)	

Base: 150 US decision-makers of ad sales technology in organizations that sell or support video ads on their platforms
 Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, September 2020

Adoption Of Programmatic OTT Hindered By Concerns Over Quality And Security

Publishers are concerned about how implementing a programmatic OTT strategy affects their ability to control their inventory — control over how and to whom it is sold, control over the advertiser and audience experience, and control over sufficient security and compliance safeguards.

For example, 75% of respondents are concerned that lower-quality advertisers may take up and depress valuable inventory. Nearly 75% are also concerned about a lack of standardized measurement and audience control. Security concerns are not far behind: 70% of respondents or more are concerned about data leakage, poor security and privacy, and malware. It's incumbent on each part of the media-buying ecosystem to cooperate in developing standards that level the playing field and establish safeguards for publishers as they pursue these strategies.

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“How concerned are you about each of the following as it applies to programmatic OTT?”

● Very concerned ● Concerned

Lower revenue (rev share split, tech fees)	38%	37%	75%
Poor advertiser quality	34%	41%	75%
Lack of standardized measurement	35%	39%	74%
Audience control	33%	41%	74%
Data leakage	38%	33%	71%
Poor security/privacy	37%	33%	70%
Malware	34%	36%	70%

I think **proper security channels with better infrastructure** can really make my company feel more comfortable pursuing action based programmatic OTT advertising sales.” - *VP of sales at a publishing firm*

“**Less fraud and less low-quality issues** will make me feel comfortable pursuing auction-based programmatic OTT advertising sales.”

- *Director of operations at a publishing firm*

Base: 150 US decision-makers of ad sales technology in organizations that sell or support video ads on their platforms
Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, September 2020

Programmatic OTT Requires Focus On People, Processes, And Technology

Implementing programmatic OTT has put pressure on publishers' ability to build demand relationships and required focus on how to fit programmatic OTT selling into existing processes and technology. The most common challenge publishers must overcome is the difficulty building demand relationships. Other challenges include an inability to measure optimization, poor control of business rules within ad pod assembly, an insufficient technology stack, and difficulty navigating the right partners within the ecosystem. Publishers looking to develop programmatic OTT strategies should look for partners that can bring buyers to the table and provide the necessary tools and capabilities to guide measurement and ad pod assembly within an OTT environment.

“Which of the following challenges did you have to overcome when implementing a programmatic OTT technology?”

Top five shown



1
Difficulty
building demand
relationships



2
Inability to
measure
optimization



3
Poor control of
business rules
within ad pod
assembly



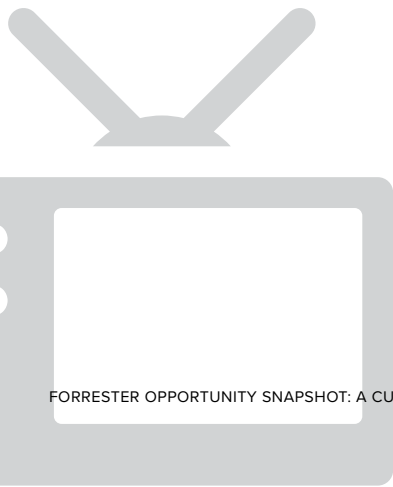
4
Insufficient
tech stack



5
Difficulty
navigating the
right partners

The Appeal Of RTB Programmatic OTT Is Compelling

Despite concerns and implementation challenges, all study respondents report interest in programmatic OTT. Several factors are driving publisher interest, principally their desire to increase efficiency through automation. Additionally, programmatic OTT increases the available ad inventory publishers can bring to market, allows for the development of more relevant ad experiences delivered in an increasingly crucial medium, and helps publishers better understand buyers' needs to optimize inventory for advertisers.



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“Which of the following explains why your organization was interested in investing in programmatic OTT in particular?”

Top seven listed



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Source: A commissioned study conducted by Forrester Consulting on behalf of PubMatic, September 2020

Programmatic OTT Benefits Extend Beyond Efficiency And Increased Demand

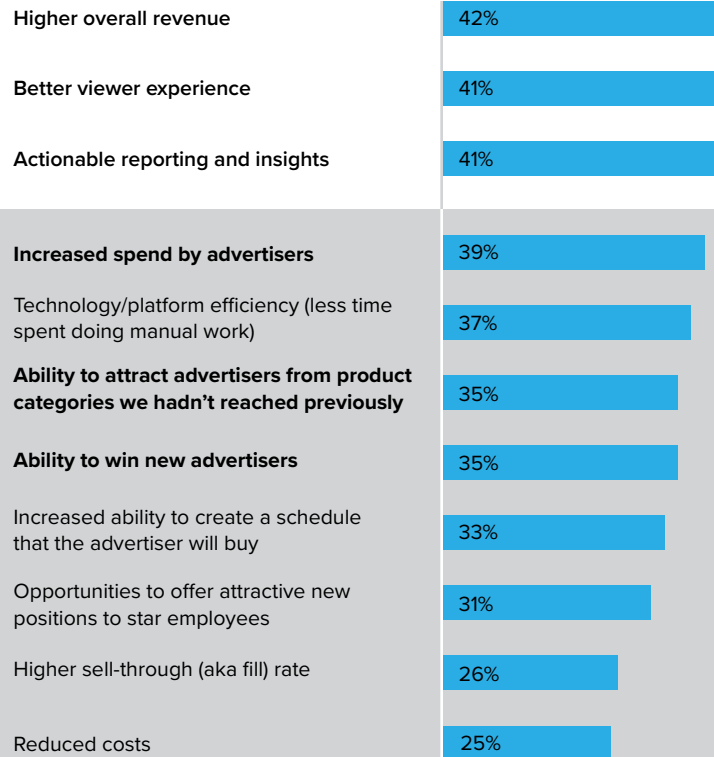
The benefits from programmatic OTT are clear. Publishers have experienced the efficiencies they had set out to achieve. Decision-makers report programmatic OTT drives higher overall revenue, countering publisher concerns that revenue sharing and technology fees would lower returns. Publishers also see OTT as a driver of a better viewer experience and actionable reporting and insights. Additionally, publishers have improved demand by increasing spend by advertisers, attracting advertisers from new product categories, and winning new advertisers.



“Programmatic OTT can give our company **advanced analytics**, which will help us **optimize ads for our consumers** in [the] future and ... will give us **greater efficiency.**”

– VP in IT at a publishing firm

“What benefits have you experienced as a result of implementing programmatic OTT?”



Conclusion

Programmatic OTT is an emerging revenue channel with the potential to unleash financial and strategic benefits as consumers shift more of their viewing to streaming on connected TVs and mobile devices. Despite some initial hesitancy due to concerns over revenue impact, quality, and security, publishers that have implemented programmatic OTT indicate that revenues, net-new advertisers, and measurement have been positively impacted by their auction-based, programmatic OTT strategies. To get there, publishers must orient their strategies and seek partners to help with navigating challenges with developing demand relationships, measurement and optimization, and greater control over ad pod assembly. Done correctly, programmatic OTT can leverage consumers' migration to streaming video as a key driver of growth in the coming years.

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Contributing Research:

Forrester's B2C Marketing Professionals research group

Glossary Of Terms

Open-market programmatic (auction-based): Public real-time bidding (RTB) auction open to all buyers and sellers; also called an open auction or open exchange.

Over-the-top (OTT): The delivery of long-form video content via the internet, without requiring users to subscribe to a traditional cable or satellite pay-TV service.

Private marketplace (PMP): Auction owned by a single publisher or a small group of publishers and open only to an invited select number of buyers; also called a private exchange, private auction, or PMP. These are typically executed via normal RTB technology and may include a deal ID, a tag that notifies the auction that a specific buyer has some sort of preferential treatment, whether in price or priority.

Programmatic direct: Nonauction-based approach to buying or selling ad inventory, not at the impression level. Programmatic direct deals can be orchestrated via preexisting RTB technology, through publisher-owned APIs such as on social sites, or via self-service user interface or deal discovery tools. Programmatic direct deals specify a fixed price and may or may not guarantee fixed inventory amounts.

Programmatic guaranteed: Upfront commitment to both CPM price and inventory amount secured via programmatic pipes between one buyer and one seller; also called programmatic reserved, forward market, or just “upfronts.”

Programmatic OTT: An advertising selling model for OTT in which digital platforms are leveraged to automate the targeting, aggregation, booking, flighting, analysis, and optimization of online publishers’ advertising inventory via sell-side software interfaces and algorithms, with the goal of improving yield. While it includes exchanges based on real-time bidding, it also supports traditional selling methods and workflows.

Real-time bidding (RTB): Real-time bidding (RTB) is a way of transacting media that allows an individual ad impression to be put up for bid in real time. This is done through a programmatic on-the-spot auction, which is similar to how financial markets operate.

Methodology

This Opportunity Snapshot was commissioned by PubMatic. To create this profile, Forrester Consulting supplemented this research with custom survey questions asked of 150 US decision-makers of ad sales technology at organizations that sell OTT inventory. The custom survey began and was completed in September 2020.

ENDNOTES

¹ Source: "The Future Of Omnichannel Advertising Must Be Customer Obsessed," Forrester Research, Inc., November 8, 2019.

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Demographics

COUNTRY

US: 100%

NUMBER OF EMPLOYEES

20 to 99: 13%

100 to 499: 21%

500 to 999: 43%

1,000 to 19,999: 23%

ROLE

C-level: 19%

Vice president: 37%

Director: 44%

TOP 4 DEPARTMENTS

IT: 25%

Operations: 24%

Sales: 14%

Business development: 13%

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