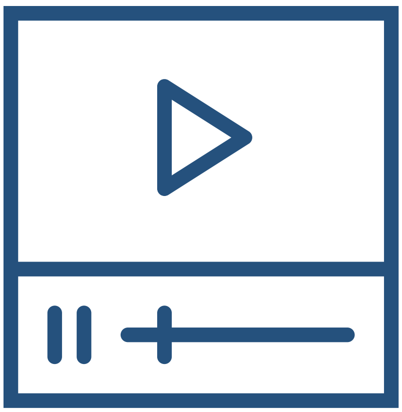


5 COMMON MISCONCEPTIONS ABOUT **PROGRAMMATIC VIDEO**

Introduction

2016 marked the first year that more digital video was transacted programmatically than not.[1] However, many premium publishers remain resistant to exposing their video inventory to programmatic buying. In this whitepaper, we'll clear up some of the common misconceptions holding back the adoption of programmatic video and give publishers some tools for approaching this option.

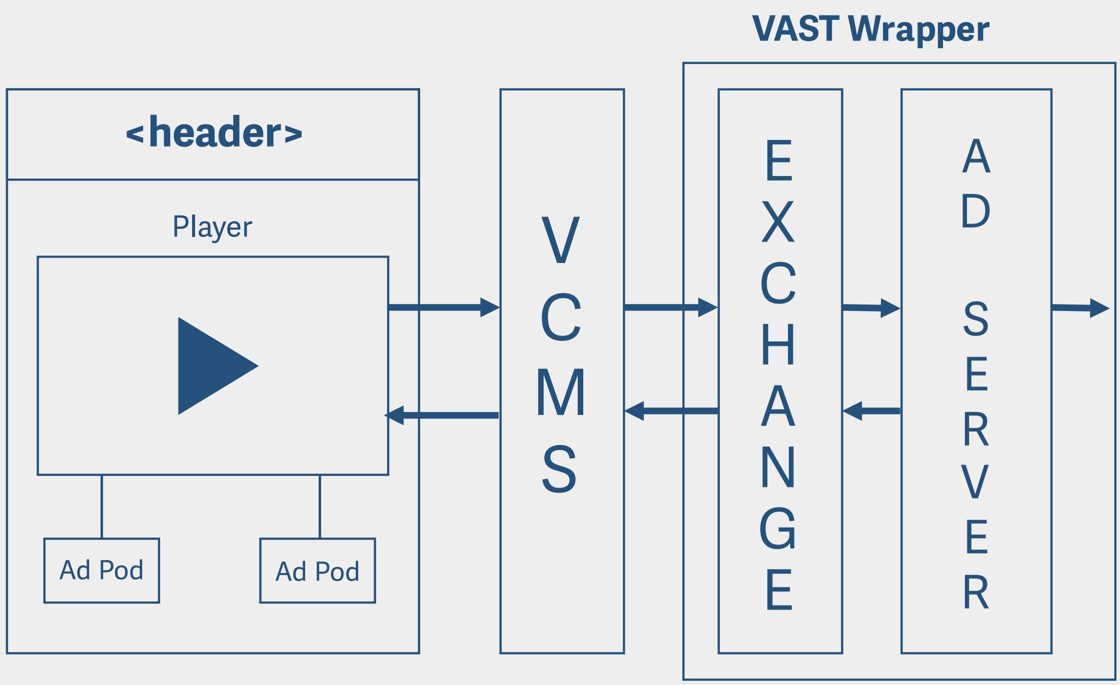
Misconception: **Bringing the benefits of header bidding to video must involve the header.**

Reality: The future of programmatic video extends far beyond the browser.

It surprises many to learn that much of "video header bidding" doesn't actually live in the header at all, rather in the video player itself. This distinction is important since browser-based video represents a relatively small portion of overall video inventory. Advanced television (smart TVs, OTT, etc.) and mobile apps don't live in the browser, yet they dominate the video market.

The problems afflicting video publishers today mirror those of the pre-header bidding display world — limited competition, undervalued inventory, and poor user experience due to an inefficient waterfall auction filled with highly latent passbacks. Additionally, a large contingent of premium video publishers are still selling their inventory exclusively through direct sales or dynamic allocation, where bids must only beat a historic average rather than that inventory's real-time market value.

Though the integration is different, an exchange can still be implemented into a video player in much the same way as in the header.



With today's modern video wrapper technology there is little technical work required from the publisher to enable an incredibly sophisticated solution, that enables greater competition for video inventory.

The benefits of the parallel auction are also becoming apparent with video. Increased competition between the programmatic marketplace and alongside direct sales drive up prices overall, granting publishers fair market value for their inventory. Similarly, as publishers and exchanges alike get more comfortable with server side integrations (s2s), it can be used to significantly reduce latency and improve user experience for video viewers (read more in our s2s white paper).

The header became a symbol for publishers taking back power from an inefficient or monopolizing technology that reduces competition for their inventory and prevents them from getting fair market value. Header or no header, media companies benefit from leveraging a trusted ad exchange to ensure they are getting top dollar for their most valuable inventory, while giving buyers a chance to win inventory traditionally reserved for direct sales, if the price is right.

Misconception: **Programmatic video is challenging for publishers to implement, and the return on effort isn't there.**

Reality: When partnering with a technology company with an advanced video wrapper solution, there is no longer a requirement for lengthy integration or work on the publisher's side.

For industry veterans, the term programmatic brings back memories of the early days of RTB, where dozens of daisy-chained tags slowed down pages, exchanges were relegated to a small subset of remnant inventory and buyers priced their bids accordingly. Programmatic video gets an even worse reputation for its association with heavily arbitraged out-stream ads.

Incredible progress has been made in the past two years and now a new industry standard exists that demands reduced operational complexity, painless integrations, and increased yield for publishers.

Misconception:
If video inventory is sold out, publishers can't benefit from selling programmatically.

Reality: Without user targeting and outside competition, video inventory is not achieving its full price potential.

Despite the recent gains of display header bidding, the prevailing attitude towards video remains, "If it ain't broke, don't fix it." Programmatic video is set to approach 9 billion dollars this year, a 40% increase over 2016.[1] With media companies routinely selling out their video inventory via direct sales, they haven't been motivated to turn to programmatic.

You can integrate programmatic video while protecting your direct sales. To do this, here are some important questions to consider:

- **Is it rate card?** Oftentimes amongst sold-out publishers, inventory is not actually being sold out at rate card due to volume buys, side deals and value adds. This is the cost of doing business in an analog sales world.

- **Is it priced correctly?** If publishers are consistently selling out, their prices may be due for an adjustment. Savvy publishers are working with their exchange partners to help reset their rate cards based on how the programmatic market values their inventory, ensuring consistent pricing across all channels.

- **Could you get more with data activation?** Rather than resorting to current targeting methods like the gross rating point (GRP), video publishers can enhance the value of their inventory by enabling the addressable, data-rich buying style of programmatic video.

- **Is it diversified?** As we've learned time and time again, diversification is key to lasting success in ad tech. Rather than selling exclusively through a single channel, even if it is direct, it's important to future proof your sales strategy by having multiple channels through which to grow.

- **What do I have to lose?** There's no downside to adding more competition to one's video stack, particularly when the publisher remains in the driver's seat. With today's modern video wrapper solutions there is little technical work required to enable an incredibly sophisticated solution, and it will ensure the highest price always wins.

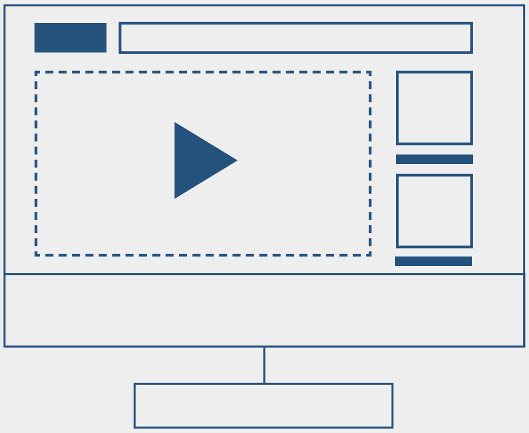
Misconception: **Programmatic video isn’t ready for TV budgets.**

Reality: Video spend is rapidly moving to programmatic and media companies that haven’t begun building towards that future are at risk of being left behind.

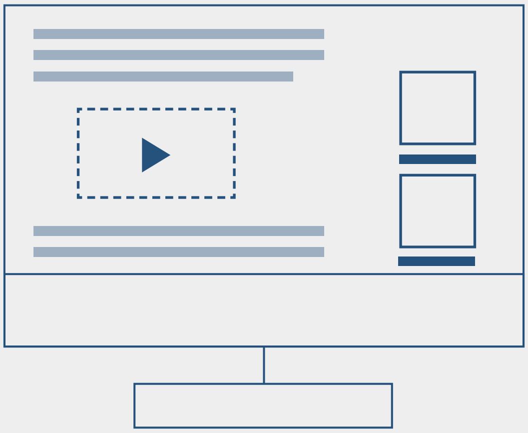
In recent years, programmatic video has drastically improved and the coming years are sure to bring even more innovation given the industry’s ever-increasing hunger for video. The demand for which continues to outstrip the available quality supply. As brands become more savvy toward aligning measurability and performance with their reach and awareness goals, tough questions will be levied toward traditional TV measurement and targeting.

Exchange bidding plays an important role in enhancing the relationship between publishers and marketers by removing some of the operational complexity of doing business. Budgeted deals between buyers and sellers will be pivotal in advancing content and educating buyers on the best way to leverage a publisher’s valuable video inventory to achieve their goals.

Publishers must begin to do their part by cleaning up video to allay buyers' concerns that programmatic video is not a premium product. This misconception is largely due to the heavily arbitraged ad network-style partners that still do the bulk of programmatic video business today and significantly reduce working media for buyers.



a) Premium in-stream pre-roll video ad unit



b) Disruptive out-stream video ad unit

The prevalence of small, auto-play out-stream video units (often undifferentiated from in-stream for buyers) are bringing down the perceptions and prices of programmatic video. These units significantly hamper user experience and while valuable in the short term, are harmful to the bottom line in the long term as they promote the use of tools like adblockers and third party page accelerators that take users away from the site. By cleaning up their video partnerships, publishers can ensure that their inventory is viewed by buyers as premium and deserving of top dollar in the open market.

Misconception:
Every video marketplace is basically the same.

Reality: All SSPs and ad exchanges are not created equal. When dealing with a publisher's most valuable inventory, it is critical to ensure programmatic video partners have the publisher's best interest in mind.

Here is a checklist of things to look for when evaluating a video partner:

- **Choice:** Support for a publisher's preferred video ad tech providers and ad exchanges. Publishers shouldn't get locked into an exclusive deal or ad stack that isn't a perfect fit.

- **Transparency:** High CPMs make video an environment ripe for bad actors to take an extra cut. Choose a vendor that is willing to put in writing their auction dynamics and fee structures for publishers, partners and buyers.

- **Service:** Video is evolving quickly. Partner with an exchange that will continue to improve their technology and support publishers by taking on the heavy lifting of development.

- **Technology:** Speed and reliability are key. Choose a partner with reliable technology, robust infrastructure and broad global data center distribution with strategic co-location.

- **Neutrality:** Partner with an exchange that puts the needs of publishers first with no buy-side business that may create a conflicting interest.

Conclusion

The programmatic video market is still nascent at this point, with the industry making big bets and investments in its future. It's important for publishers to understand how to prepare for that future by asking the right questions and choosing the right partners to ensure publishers can scale while maintaining control over their video business.

About **Index Exchange**

Index Exchange is an advertising marketplace where premium digital media companies can sell their ad impressions transparently, in real time, to programmatic buyers. Built on the pillars of neutrality, openness, and the most reliable technology, we aspire to be the ad exchange that media companies can trust.

Because we are independent, with no other business interests, the top technology companies in the industry choose to partner with us and together, we build better solutions with media companies in mind. And we're independent by choice, because that lets us make decisions for the long-term benefit of our clients, not the immediate demands of investors, or for short term profits. We believe greater competition leads to better yield for media companies and better inventory access for marketers.

[1] *eMarketer, April 2017. [Graph illustration US Programmatic Digital Video Ad Spending, 2015-2019]. Retrieved from http://totalaccess.emarketer.com/Chart.aspx?R=206432&dsNav=Ntk:relevance%7cprogrammatic+video%7c1%7c, Ro:-1,Nr:NOT(Type%3aComparative+Estimate)*