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VIDEO INDEX

EXTRA

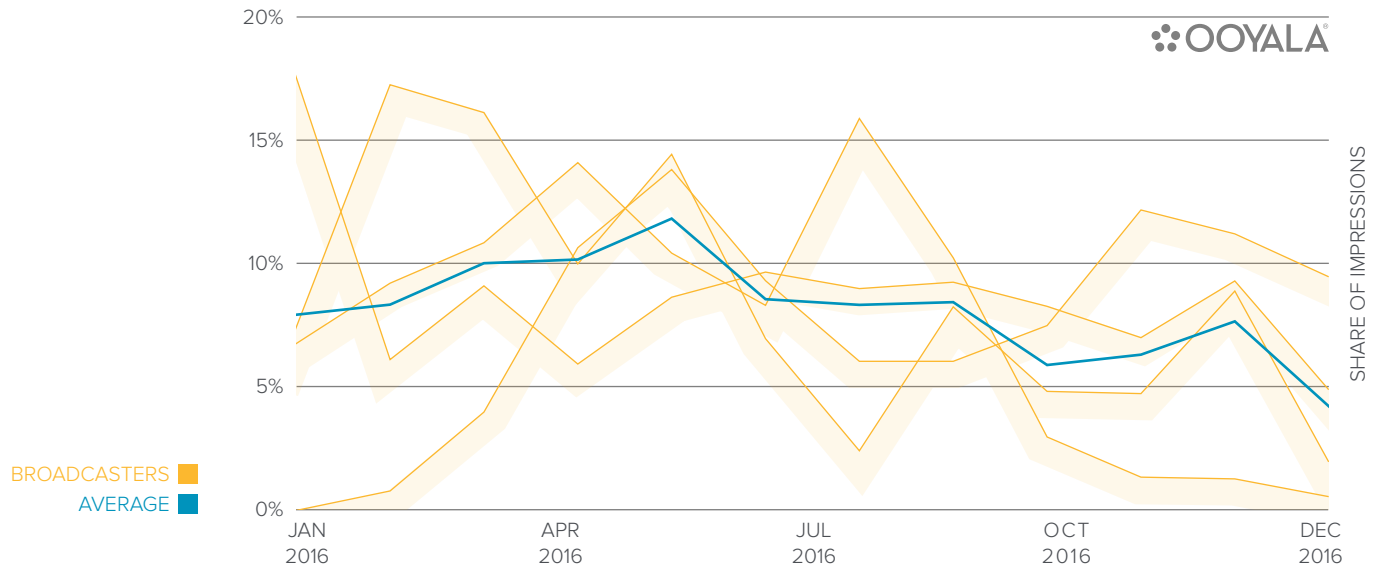
# BROADCASTERS SHY TO ADOPT PROGRAMMATIC

## CHALLENGES AND SOLUTIONS

The time for video advertising is now, there's no question. The [2016 PwC IAB Internet Advertising Revenue Report](#) states that in the first half of 2016, total digital video revenue hit \$3.9 billion, a 51% year-over-year increase. And according to [IHS Markit](#), by 2020 online advertising, for the first time in nearly eight decades, will oust TV as the primary channel for advertisers, becoming the dominant force in the \$532 billion (and growing) advertising industry.

But the question becomes: Which sales channel — direct or programmatic — will be the primary vehicle to propel digital advertising forward?

In this Video Index Extra, we look specifically at the broadcaster market. We hand-picked prominent European TV operators who use Ooyala for both direct and programmatic video advertising sales. Over the course of 2016, we evaluated how much of their total digital inventory was sold programmatically versus direct.

PERCENTAGE OF PROGRAMMATIC IMPRESSIONS  
FOR BROADCASTERSUNPREDICTABILITY HOLDS BACK  
PROGRAMMATIC AMONG BROADCASTERS

The results showed that programmatic is approached opportunistically by broadcasters, constantly ebbing and flowing and at the mercy of direct sales. For broadcasters, direct sales still rule the day. But why? **Recent research by analyst firm MTM and Ooyala** showed programmatic has seen slow adoption among US and some European broadcasters as the traditional, direct-sold advertising infrastructure from planning to sales and billing has been in place for decades. Programmatic is not core to their central system or strategy, and further, broadcasters are resistant to a model that's unpredictable, even though it could yield higher returns.

Ooyala's broadcast customers analyzed in this report sold, on average, 8% of their overall video inventory via programmatic in 2016. However, market research and third-party data suggest that programmatic overall is on a growth trajectory. **eMarketer** states 65% of all digital video ad spend is projected to go through programmatic in 2017, hitting \$7.6 billion — a 9% increase from 2016.

So while yes, programmatic is being adopted, broadcasters are still in the nascent stage with a lot of opportunity to grow.

## THE TAKEAWAY

Programmatic will only truly take off among broadcasters once they realize the revenue potential of the sales channel, and that change will only come about when buyers put enough pressure to induce change. However, there are solutions to usher the process along faster and ease broadcasters into programmatic more seamlessly.

New sales methods such as **automated guaranteed** allow broadcasters to bring automation into traditional direct-sold transactions. It allows their buyers to have the familiarity of fixed prices and reserved inventory that direct deals promise, while including the efficiency and immediacy of a programmatic buy. It also maintains the relationship between the buyer and seller, and if results are good, allows the opportunity for more deals down the road.

Taking a **holistic approach to advertising**, too, will help broadcasters cross-compare the yield from direct-sold inventory and programmatic inventory. New platforms will allow ad operations teams to have complete visibility into every piece of inventory to understand when it may be more lucrative to sell directly versus programmatically.

Ooyala recently launched its own holistic video advertising platform, **Ooyala Pulse**, combining both solutions to give ad operation teams more visibility into their entire operations.

**OTT services** will also allow broadcasters to leverage rich, audience data to uplift yield on non-premium or remnant inventory, which otherwise would find little value from buyers. The wave of digital content and better targeting capabilities is making buyers more interested in buying audiences versus content. As broadcasters launch their own ad-supported OTT services and apps, they'll also have access to a treasure trove of first-party data from the living room experience that will inch content providers closer to the promise of addressable TV — an environment where programmatic can thrive.

