

IAB RUSSIA
DIGITAL VIDEO AD COMMITTEE
Russian Digital Video Ad Market Overview 2017-2018



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ABOUT THIS DOCUMENT

“Russian Digital Video Ad Market Overview 2017-2018” covers main recent events and trends in the area of online video advertising in Russia and abroad. This review will be useful for the entire advertising vertical, from advertisers, agencies, sales houses to ad networks, tech companies and media publishers.

For this overview, we used data from open sources: foreign and Russian researches and surveys, media materials, as well as comments and opinions of the Russian market participants.

We would like to thank IAB Russia Digital Video Committee experts for participating in the research, as well as representatives of companies that are non-members of the Committee, in particular Nadezhda Babiyan (GetIntent), Anton Beschekov (NATIVEROLL.TV), Victor Chekanov (MEGOGO), Vitaliy Gerko (OTM), Yulia Goldfain (Mediascope), Irina Gushchina (Resolution OMD), Sergey Khan (Segmento), Sergey Korenkov (GPMD), Sergey Lashenko (BeGroup), Alexander Mayzelis (ADV Group), Andrey Molev (Amnet), Dmitry Pashutin (Yandex), Egor Shamarin (Mediascope), Irina Skripnikova (Yandex), Sergey Soloviev (Videonow), Olga Trushkova (Rambler&Co), Elina Vagner (Publicis Media), Lubov Yachkova (IMHO).

In order to complete the picture of Russian online video ad market, highlight main ecosystem elements, and determine the underlying trends, we have interviewed leading market players. We express gratitude to the following companies that agreed to participate in our survey, shared the information and views on the video ad market in Russia:



ORDERING PARTIES OF THE RESEARCH

This overview was prepared on the initiative of the IAB Russia Digital Video Committee, backed by the General Meeting decision of the IAB Russia members on November 22, 2017.

Special contribution was made by the Chairman of the IAB Russia Research Committee Alexey Belyaev (Mail.ru Group), Head of the IAB Russia Digital Video Committee Nikolay Kiselev (IMHO) and President of IAB Russia Boris Omelnitskiy (Yandex).

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DEFINITIONS

Digital/Online Video Advertising (OLV) is ad videos that can appear in streaming content or inside editorial content, banner placement or social newsfeed.

In-Stream Video Ad is advertising that is played before, during or after streaming video content requested by consumer (Pre-roll, Mid-roll, Post-roll or All-roll/Multi-roll if the exact position of placement remains on publisher's discretion). These ads cannot typically be stopped from being played (particularly with pre-roll). This format is frequently used to monetize the video content that the publisher is delivering. In-Stream Video Ads can be played inside short or long-form video and rely on video content for their delivery.

Out-stream Video Ad (in-page, in-banner, in-read) is ad video placed outside streaming content, be it inside banner placement (in-banner) or between paragraphs of editorial content (in-article or in-read).

Brand-based advertising is advertising sold on the cost-per-thousand impressions (CPM) pricing model. These are the tools that are aimed at solving branding tasks: traditional banners and online video advertising.

Online Cinema is a legal internet service, that streams professional video content on demand either on ad-supported model or on a subscription / transactional basis.

Brand Safety is practices and tools allowing to ensure that an ad will not appear in a context that can damage the advertiser's brand.

Viewable Ad Impression. A served ad impression can be classified as a viewable impression if the ad was contained in the viewable space of the browser window, on

an in-focus browser tab, based on pre-established criteria such as the percent of ad pixels within the viewable space and the length of time the ad is in the viewable space of the browser. It is recognized that an “opportunity to see” the ad exists with a viewable ad impression, which may or may not be the case with a served ad impression.

The point of view on the market is Sell-side, which considers money (excluding VAT) received by the publishers as a result of the video inventory sale directly or with the usage of ad networks, sales houses and programmatic mechanisms. Sales houses fee are included into ad revenue estimates. This point of view complies with Russian Association of Communication Agencies (RACA or AKAR) methodology.

EXECUTIVE SUMMARY

- For the full year of 2017 digital video ad market in Russia was estimated by surveyed experts to have grown by 26% and reached approximately RUB 8.3 billion (excluding VAT). According to IAB Russia estimates on the online Russian ad market volume, it accounts for 24% of brand-based advertising and 5% of total digital ad segment.
- Within video ad market RUB 7.1-7.5 billion accounts for in-stream ads, RUB 0.8-1.2 billion – for out-stream ads.
- Digital video in 2018 is forecasted to grow by 20-25%, with out-stream increasing twice as active as in-stream (40-50% vs. 20%).
- The main digital video advertising drivers are the growing interest of advertisers and the inventory increase due to new ad products offerings (mobile, out-stream, social networks), as well as the emergence of formats available for medium and small businesses; growing personalization in video advertising, use of different types of targeting to improve its effectiveness.
- Main events on Russian video ad market in 2017 – early 2018 are the introduction of viewable video ad products, changes in IMHO and GPMD's selling, the expansion of Mediascope measurements against the comScore measurement termination, development of the Big TV project both in terms of measurements and in terms of online TV ad selling tools.

GLOBAL MARKET

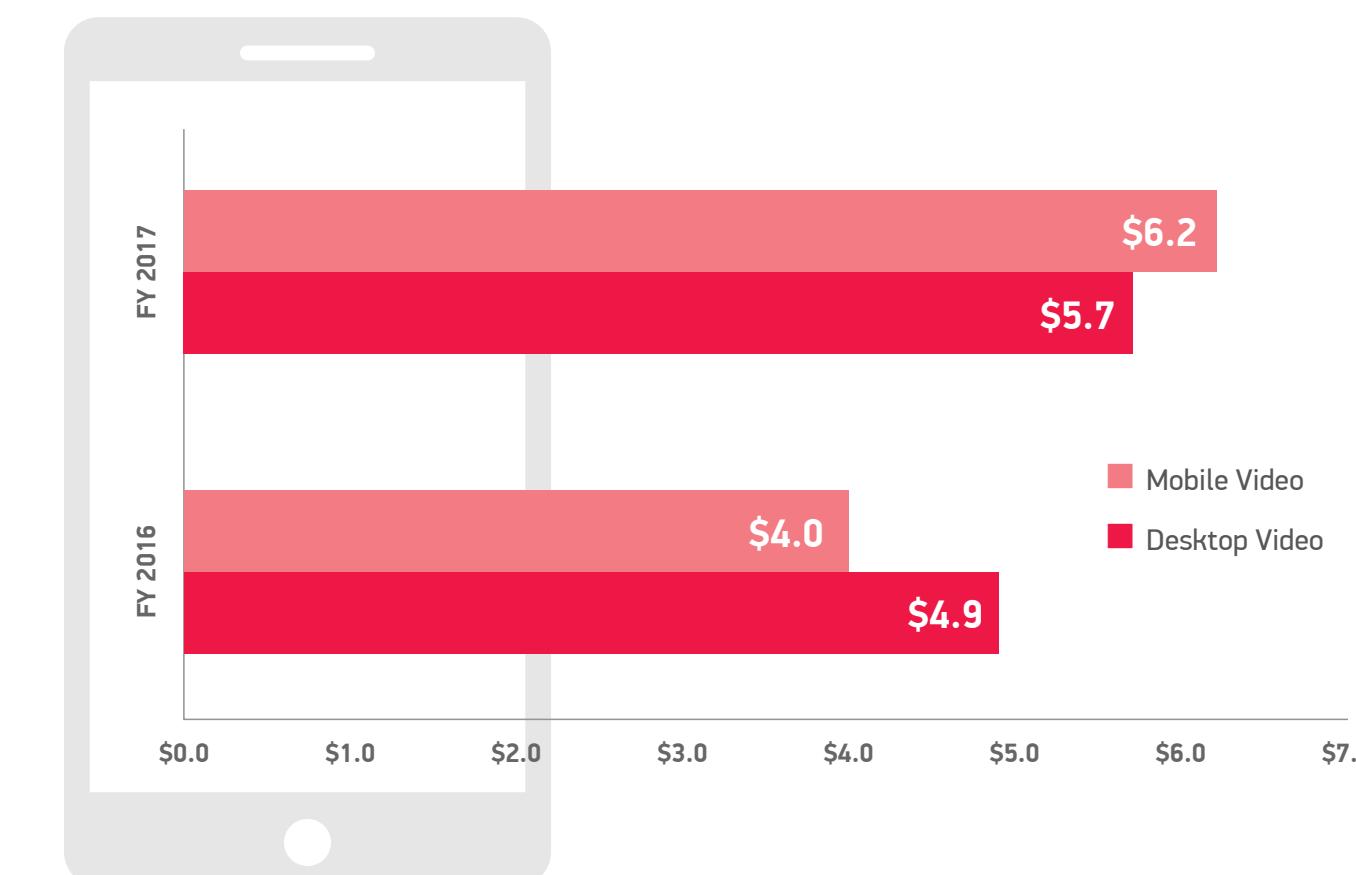
MARKET SIZE

Dentsu Aegis Network¹ estimates the **global** growth of digital video ad sales in 2017 to be +34% compared to 2016. Digital video share of total ad spend increased from 3.7% to 4.8%.

U.S. spending on online video in 2017, according to preliminary estimates by eMarketer², totaled \$13.2 billion, which is 24% up from 2016. Video comprised 16% of all digital ad spending (a year ago it was 14%).

According to the annual report by IAB and PWC³, U.S. digital video ad spend in 2017 was a bit lower - \$11.9 billion, which is 33% up from 2016 (the companies estimate 2016 much lower – at \$8.9 billion). Video is showing the best growth rates across all major ad formats. Mobile video advertising (on smartphones and tablets) rose by 54% to \$6.2. billion, whereas desktop video ad rose by 16% to reach \$5.7 billion. In FY 17, mobile video revenue surpasses desktop video revenue for the first time, though digital video represents a somewhat lower share of mobile advertising revenue compared to total desktop ad revenue: 13% vs. 15%.

U.S. Digital Video Ad Spend in the 2016-2017, \$ billion⁴



In Summer 2017 Advertiser Perceptions and Interactive Advertising Bureau (IAB) surveyed⁵ more than 350 U.S. agencies representatives and marketers from various industry about their digital video ad budgets. All respondents were involved in digital video advertising-decision making, spent more than \$1 million total annual spend in 2016 and had minimum of a modest understanding of the Digital Content NewFronts⁶.

In 2015 their annual ad spend on digital video (including mobile) averaged \$5.6 million, in 2016 – \$6.8 million, and in 2017 they expected to spend \$9.4 million, which is 56% of the total digital ad spend. Accordingly, the average video ad spend rose by 21% in 2016 and by 38% in 2017. Interestingly, the expansion of digital video spend is planned not due to shifting funds away from TV: TV ad spend is steady and doesn't decrease.

1. Dentsu Aegis Network, "Global Advertising Forecasts", January 2018.

<http://www.dentsuaegisnetwork.com/m/en-UK/DAN%20Ad%20Spend%202018/JAN%202018%20Ad%20Spend.pdf>

2. eMarketer, "US Ad Spending. eMarketer's Updated Estimates and Forecast for 2017", September 2017. Includes advertising that appears on desktop/laptop computers, mobile phones, tablets and other internet-connected devices; includes advertising that appears before, during or after digital video content in a video player; does not include out-stream and in-feed video on social networks – these formats relate to rich media and social advertising.

3. IAB и PWC, "2017 IAB Internet Ad Revenue Full Year Report", May 2018.

https://www.iab.com/wp-content/uploads/2018/05/IAB-2017-Full-Year-Internet-Advertising-Revenue-Report.REV2_.pdf

4. IAB and PWC, "2017 IAB Internet Ad Revenue Full Year Report", May 2018.

https://www.iab.com/wp-content/uploads/2018/05/IAB-2017-Full-Year-Internet-Advertising-Revenue-Report.REV2_.pdf

5. Interactive Advertising Bureau (IAB) and Advertiser Perceptions, "Digital Content NewFronts: Video Ad Spend Study", April 2017.

<https://www.iab.com/wp-content/uploads/2017/05/2017-IAB-NewFronts-Video-Ad-Spend-Report.pdf>

6. Similarly to UpFronts, Digital Content NewFronts in a regular event where new original (created exclusively for digital) content is presented. The content can be entertaining, news, general interest etc. Among the participants are such companies as Google/YouTube, Hulu, BBC News, Conde Nast, Disney Digital Network, ESPN, The New York Times, Refinery29, Twitter.

Programmatic share of video ad spending in the US in 2017 totaled 69% or \$9.1 billion, which is by 42% more than in 2016⁷. Out of this money, 55% of programmatic buying was mobile (\$5 billion, +74% vs. 2016).

The U.S. digital video marketing industry in general (including the cost of video capturing, creation, hosting, distribution, analytics and staffing) is expected to reach \$135 billion in 2017, according to a mobile video platform Magisto⁸.

Canadian video ad market, according to eMarketer estimates⁹ totaled CAD 519 million (\$392 million) in 2017 – that accounted for 8% of the total digital ad market in the country.

British digital video ad market in 2017 is estimated by eMarketer¹⁰ to reach GBP 1.4 billion, 20% of which will account for desktop, and 80% – for mobile.

In China, according to eMarketer's¹¹ preliminary estimates, video ad spend totaled \$8 billion in 2017, which is twice as less as the TV ad market. Video ad spend increased by 36% vs. 2016. OLV advertising grows faster than the display advertising overall, and the main driver of this growth is the strong content offering. Brands are ready to spend more in order to be placed in a popular video content. Chinese video platforms, aside from investing into creating original content, seek to establish exclusive partnerships with global players, for instance, iQiyi – Baidu's on-demand video streaming platform – recently announced a licensing deal with some of Netflix's premium content.

The share of programmatic video in China accounted¹² for 24% of video advertising. OTT video platforms (for example, Youku Tudou) mainly sell advertising slots at a premium price. This inventory is often sold in advance, before the actual placement, and limits the possibility of offering programmatic buying.

7. eMarketer, "US Programmatic Ad Spending Forecast. The Duopoly Drives Dollars Through", October 2017.

8. Magisto, "The Modern Marketing Dilemma and the State of Business Video", October 2017.

<https://www.magisto.com/reports/video-market-size>

9. eMarketer, "TV and Video in Canada. New Viewing Habits Bring Multiscreen Challenges for Advertisers", August 2017.

Includes advertising that appears before, during or after digital video content in a video player.

10. eMarketer, "UK Digital Ad Spending by Industry", August 2017.

11. eMarketer, September 2017.

<https://www.emarketer.com/Article/Chinarsquos-Digital-Video-Ad-Spending-Overtake-TV-by-2021/1016452>

12. <https://www.emarketer.com/Report/Programmatic-Advertising-China-eMarketers-Updated-Forecast-Estimates/2002186>

EVENTS AND TRENDS INVESTMENTS AND ACQUISITIONS

The largest video acquisition-2017, announced at the end of the year, was the acquisition of a large share of 21st Century Fox by Disney for \$52.4 billion. This transaction includes a 30% share of Fox in Hulu, which increases Disney's ownership in the streaming service to 60%. In addition, Disney also receives the 21st Century Fox film studio, regional sports TV channels and cable channels – FX and National Geographic. It was expected that Disney CEO Bob Iger would leave his post in 2019, but now, under the terms of the deal, he will stay up until the end of 2021.

In addition, in 2017 Disney increased its share in the BAMTech platform, the company that powers streaming for MLB, HBO Now, NHL, WWE and now Disney itself, as well as the new streaming services from ESPN. In 2016, Disney acquired 33% of the platform for \$1 billion, but now it increased its stake to 75%, having bought 42% for \$1.58 billion. Thus, all BAMTech was valued at \$3.75 billion¹³.

When the first deal between Disney and BAMTech was held in summer of 2016, BAMTech was already powering WatchESPN and began working on the creation of a streaming infrastructure necessary to launch a new ESPN streaming service, which should be launched in 2018 and include broadcasting of the most important sporting events in baseball, hockey, soccer, tennis, etc. The content will be available through an updated version of ESPN application, pay TV subscribers will also be able to watch ESPN networks.

Another major transaction on the video market was the Yahoo's purchase by Verizon (valued approximately for \$4.5 billion). Now Yahoo, together with AOL resources, is combined into a subsidiary called Oath that now covers 50 media brands and 1 billion users globally. Oath is led by Tim Armstrong, the former AOL CEO. The company

13. <https://techcrunch.com/2017/08/08/bamtech-valued-at-3-75-billion-following-disney-deal>

plans to grow further, launch more brands to new countries, to get by 2020 2 billion consumers and an annual revenue between \$10 and \$20 billion¹⁴. One of the possible points of growth is the expansion of live programming slate, bringing linear content to TV in new ways.

Among other deals the following can be noted:

- In August 2017 Netflix acquired its first content producer – Millarworld, the comic book publishing powerhouse, which franchise has been adapted into films (*Wanted*, *Kick-Ass* and *Kingsman*) and grossed \$912 million worldwide (however, *Kick-Ass* and *Kingsman* were not the part of the deal).
- Vimeo abandoned the idea of launching its own SVOD service and shifted its focus to live streaming. In September 2017 it announced the acquisition of Livestream, a live video streaming platform. Terms of the deal were not disclosed, but Vimeo calls it the largest acquisition in the company's history. Vimeo positions itself as a "creator-first" platform - the content creator is in the center of its attention – so the development of Vimeo Live seems logical.
- Facebook now owns the German company Fayteq, which builds software add-ons for video editing, that can remove and add whole objects from captured video using computer vision. This acquisition is useful for Facebook as it pursues additional video filter creation technology, both for its live streaming efforts, and for platforms like Instagram Stories.
- American telco T-Mobile, on the contrary, began to think about creating its own online streaming service and acquired Layer3. Using Layer3 technology platform and relationships with content providers, the company plans to launch in 2018 a subscription service with advertising. the expected content lineup has not yet been disclosed.

• Dutch telco Altice acquired the video advertising network Teads for EUR 285 million (\$308 million)¹⁵. Currently Altice has about 50 million fixed and mobile Internet subscribers, the majority of them are in the U.S. and France. Teads claims its global out-stream marketplace has more than 1.2 billion unique visitors (including 720 million mobile users). Teads revenue in 2016 rose by 44% to EUR 188 million. The strategic rationale of this transaction is monetization of telco's first-party data sets through Teads relationships with 94 of the top 100 advertisers globally and partnerships with more than 500 premium publishers globally and 8,000 niche publishers.

- London ad tech company RhythmOne purchased a video advertising platform YuMe for \$185 million. RhythmOne was previously known as Blinkx, a video platform and advertising network. In 2011, the company acquired Burst Media, and in 2017, before the deal with YuMe became a partial owner of the advertising network RadiumOne. Its current plans are to develop YuMe's business independently, but to plug YuMe's managed DSP into RhythmOne's marketplace to drive more demand. In addition, YuMe is strong in direct sales and in mobile inventory sales.
- The largest European broadcaster RTL Group acquired 100% of SpotX to diversify its revenues. In 2014, the company acquired 65% of SpotX for \$144 million. RTL Group has been implementing a diversification strategy for the 6th consecutive year, shifting the focus from TV advertising to other sources of income. Other initiatives include a "Log-in Alliance" with fellow broadcaster ProSiebenSat1, and online ad sales house United Internet to create a unified registration and login service for consumers.

14. <https://www.thevideoink.com/2017/06/19/oath-the-yahoo-and-aol-combo-is-looking-to-expand-worldwide/>

15. <https://techcrunch.com/2017/03/21/telco-altice-to-acquire-video-ad-tech-player-teads-for-308m>

MOBILE VIDEO

According to Ooyala¹⁶ in the end of 2017 mobile video (smartphones and tablets) makes up 60% of all video plays globally, desktop – 40% – for desktop. EMEA saw its mobile share of plays exceed 50% for the first time: it rose from 47% in the end of 2016 to 64% in the end of 2017. Smartphones make up 48% mobile plays in the region, while tablets – 16%. North America's overall share of mobile plays is lower, at 58%.

The content available for viewing on mobile devices is changing, and so is the structure of the viewers on this screen. There is now more premium content, especially sports, and young users are joined by baby boomers, their parents' generation. By the middle of 2020, telecom operators worldwide are going to launch mobile 5G-networks capable of streaming video at a speed of 10 gigabits per second and a significantly reduced delay in playback. Technologies predict a rapid spread – according to Ericsson, by 2023 5G-networks will cover 1 billion people.

As for the content duration, "medium" (5-20 minutes) and full-length (20 minutes or more) content now accounts for more than half of the total video viewing time on any device: 99% on connected TV, 71% on tablets, 56% on smartphones, and just over 50% on the desktop.

In the past years, advertising analysts have been waiting for the growth of the popularity of vertical video format, and it does continue to grow. According to the results of the IAB survey¹⁷, 61% of advertisers placed vertical video in 2017 – this is significantly higher (+10%) than in 2016. The positive trend is expected to continue in 2018.

In addition to this, analysts started paying attention to square video (1:1). When viewing a news feed on a mobile device, this format takes up 78% more of screen space than horizontal video 16:9, and the completion rate of such video is two-thirds

higher than of the horizontal one¹⁸. In some cases, square format attracts 30-35% more views and increases the level of interaction with content by 80-100%.

Because of this, square video is more cost-efficient to the advertiser: the cost of engaging a user on Facebook reduces by 8%, and on Instagram – by one third¹⁹. Of these engagements, the overwhelming part accounts for long content (20 minutes or more): 98.9% on connected TV, 62% on tablets, 47% on smartphones, 36% on desktop. The share of full-length content either remains the same or grows across all devices, except for desktop: by the end of 2016 its share was 55%, and in the third quarter of 2017 – 48%.

GOOGLE-FACEBOOK DUOPOLY IMPACT ON AD VERIFICATION

In the spring of 2017, first in the UK, and then throughout the world, there erupted a scandal about advertising of well-known brands that appeared on YouTube in videos on nationalism, extremism and other forbidden subjects. Then more than 250 brands have suspended their campaigns from YouTube (five of them are among the top 20 largest advertisers on YouTube), including Wal-Mart, L'Oreal, McDonald's, Audi, HSBC, and the British division of the advertising holding Havas. The loss of YouTube from this boycott was estimated to be at least \$750 million or 7.5% of the hosting's annual revenue²⁰.

YouTube quickly took measures and changed the settings of its ad server by updating brand safety system – filters that limit the placement of ads alongside inappropriate content. New filters were added to existing ones: "Sensitive Social Issues", "Tragedy and Conflict", "Sexually Suggestive Content", "Sensational & Shocking" and "Profanity & Rough Language". Google monitoring system was speeded up 5 times,

18. Data from Animoto and Laundry Service, see

<http://www.adweek.com/digital/instagrams-box-shaped-videos-are-influencing-facebook-marketers-172490/>

19. Buffer and Animoto, March 2017. <https://blog.bufferapp.com/square-video-vs-landscape-video>

20. <http://www.businessinsider.com/analyst-predicts-the-youtube-ad-boycott-will-cost-google-750-million-2017-3>

16. Ooyala, "Q4 2017 Global Video Index", March 2018. <http://go.ooyala.com/wf-video-index-q4-2017>

17. https://www.iab.com/wp-content/uploads/2018/04/2018_IAB_NewFronts_Video_Ad_Spend_Report.pdf

and third-party companies such as Integral Ad Science, DoubleVerify and comScore were allowed to do verification for the first time. The rules of the platform for content creators that participate in YouTube partner programs have also been updated: now video hosting will pay money only to those channels that have gained at least 10,000 views for the entire period of their existence. In October 2017, YouTube said that it manually estimated over a million videos to improve content monitoring technology (nevertheless, in September 2017, 83% of the videos removed due to containing violence were deleted automatically). Agencies, on their side, have also begun to actively implement brand safety tools: Omnicom launched a semi-automatic, semi-manual monitoring system to verify and white-list videos, WPP for the same purpose announced a collaboration with a technology company Open Slate.

The cases of placing ads in the inappropriate content had occurred before but had not meet such a strong reaction. In light of this, there is a popular opinion that this scandal is a manifestation of general discontent with Google's policy and an instrument to get Google to meet advertisers, give them more freedom in advertising and access to campaign control tools. Like Google, Facebook also limits the amount of analytics and data that advertisers can use to track campaign performance, especially when comparing metrics to other digital platforms. In 2017, these two companies, according to preliminary estimates by eMarketer, accounted for 63% of all digital advertising in the US²¹, they also account almost entirely to the annual growth of these budgets. Therefore, it is not surprising that advertisers and agencies are making attempts to change the conditions for the functioning of this established duopoly.

For instance, the largest American advertiser, Procter & Gamble, which ad budget in 2016 amounted to \$2.4 billion, promised to reduce the budget for advertising on Facebook and Google, if the platform does not open full access to metrics before the end of 2017. Mark Pritchard, P&G CMO, called for the adoption of the minimum Media Rating Council (MRC, the main media measurements regulator in the US) standards, and to stop "peddling your own version – it only creates confusion. Then we can focus on the hard work of analyzing effectiveness and making investment choices"²².

21. <https://www.emarketer.com/Article/Google-Facebook-Tighten-Grip-on-US-Digital-Ad-Market/1016494>

22. <https://www.adweek.com/digital/how-brands-and-agencies-are-fighting-back-against-facebooks-and-googles-measurement-snafus/>

In September 2016, it became known that Facebook had overstated the average time of viewing ad videos in the social network, and later additional errors were revealed when new performance measurement tools were being launched (the latest in May 2017, when it became known that Facebook overstated CTR of links from the video format "Carousel" in mobile web, which affected 0.04% of all ad impressions). After that, many market participants, including members of the Association of National Advertisers (ANA), asked Google and Facebook to show a complete picture of how the advertising campaigns are executed.

In February 2017, both companies agreed to be audited by the MRC in order to obtain accreditation for a third-party measurement of viewability and other metrics. Soon after they were joined by Twitter, which recently also had problems with the precise registration of advertising metrics.

As a result of the audit, in March 2018 Google announced that it already supports 30 MRC standards for measuring clicks, impressions, viewability, etc. on various devices and is working on obtaining MRC certification for 40 additional metrics, some of which – in collaboration with third-party measurers (Integral Ad Science, Moat, DoubleVerify).

MRC Audit of Facebook involves three stages: audit of served ad impressions; audit of the data that the platform gives to third-party measurers that track viewability (including Moat, Integral Ad Science and comScore) and especially what happens in the Facebook API; audit of viewable video impressions to determine how they relate to MRC standards. After this, advertisers will be able to purchase viewable impressions based on MRC standards. In the spring of 2017, according to nine agencies representatives, the viewability of video advertising on Facebook was only 20-30%, if to apply the MRC standards. The audit is not yet complete: the results of the first stage were summed up in April 2018.

However, this Facebook audit plan is not enough to solve the problem of reach deduplication and cross-platform measurements. For that MRC has begun negotiations with companies offering similar tracking products: Nielsen Digital Ad Ratings (DAR) and comScore validated Campaign Essentials (vCE).

Twitter in 2017 also expanded the options for measuring its ad campaigns via third-party companies, having added Moat and Integral Ad Science to its verification partners. It is estimated that the first ad measurement by Moat showed that 99% of the video ad views on the platform were visible by MRC standards. Nielsen and comScore had been Twitter partners before, but now they can conduct audit verification on demographics, reach, frequency, GRP using Nielsen DAR and comScore vCE products. comScore vCE is available for advertising campaigns in the US, Spain, Canada and the UK, Nielsen in the US and 20 other countries, Moat and Integral Ad Science – on a global level.

At the same time, it is important to note that at the moment there is no single rule regarding the calculation of viewability. The most authoritative among existing standards is MRC guidelines developed by IAB²³. In accordance with it, video advertising is considered viewable if 50% of the advertisement was in the zone of visibility for 2 consecutive seconds or longer. This rule is considered to be relatively soft, however it is not being implemented everywhere: according to Meetrics²⁴, at the end of 2017, in France 85% of all video ad impressions were in the zone of visibility, in Germany – 75%, and in Poland – 56%. The average viewing time of ad videos in these countries (regardless of the average length of the video) was 20, 12 and 18 seconds, respectively.

In August 2017, the world's largest advertising buyer GroupM set its own viewability standards for video advertising (that are more stringent than industry standards) in an attempt to bring digital video and television measurements closer together and to consider the habit of quickly scrolling through news feeds on mobile social network. GroupM has introduced additional parameters depending on the format of the video advertisement:

- Pre-roll and mid-roll video ads must be 100 percent in view and play to at least 50 percent completion, played at the user's initiation with sound on.

- Native and outstream video ads must be 100 percent in view and 50 percent complete. They can play with or without the sound and be autoplayed or user-initiated.
- In-feed video ads (ads in social networks' news feeds) must be 100 percent in view, with or without sound, autoplayed or user-initiated. There is currently no duration threshold, but GroupM says it is studying it with clients, media partners and tech vendors over the next few months.

Although out-stream and in-feed advertising is allowed to be played without sound and autoplayed, they cannot be comparable with premium video or TV under such conditions. On the contrary, “the value of video ads experienced without sound and without the user's initiation is valued at a discount relative to premium video”²⁵.

Globally, Uniliver was the first of GroupM clients to support these standards (it was on its initiative that the agency developed an alternative approach to measure banner advertising in 2014). In 2018, IBM joined Unilever as well. “We have been clear over the years that our goal was to enhance [the MRC's] definition over time and that we would be tracking and optimizing against greater pixels in view and time spent”²⁶, read the email sent to a number of mass media.

Fiat Chrysler Automobiles (FCA) has also developed its own measurement standards. The company added video viewing time as an indicator of engagement the length of – along with the number of views and number of impressions. By stacking different metrics (including those that are not on Facebook), FCA determines the value of the platform, calculates user reach and finds out if they are watching the video to the end. This allows the automaker to compare the effectiveness of Facebook advertising with its campaigns in other media.

23. <https://www.iab.com/guidelines/iab-measurement-guidelines/>

24. Meetrics, Benchmark Report, Q4 2017.

https://www.meetrics.com/wp-content/uploads/sites/2/2018/01/Meetrics-Benchmark-Report_Q4_2017.pdf

25. <https://marketingland.com/groupm-sheds-light-updated-viewability-standards-display-video-ads-222938>

26. <http://www.adweek.com/digital/brands-with-their-own-viewability-standards-are-causing-headaches-for-the-ad-tech-industry/>

SOCIAL VIDEO

In the summer of 2016 Instagram launched Instagram Stories, in March 2017 its audience exceeded the one of Snapchat, and in the spring of 2017 the service began monetizing them – it launched 15-second ad videos in this content. The Instagram Stories Ads format is full-screen, with sound and pops up in between the Stories of accounts the user follows. As with other ad formats, Stories Ads offers a variety of targeting options, unique reach optimization and reporting on basic metrics. The content for Stories Ads can be created from scratch or by converting “organic” Stories, posted earlier by the brand for its Instagram followers.

Among the first companies that have tested the new format are Capital One, Buick, Maybelline New York, Nike, Yoox, Netflix, Asos, Airbnb. For example, Airbnb showed in Stories 15-second ads to create excitement around the new product “Trips on Airbnb”. The target audience was chosen rather broad – men and women from the USA aged 25-44. As a result, the company has managed to achieve double-digit growth in ad recall, and more people began to mention Airbnb among the companies that offer booking services for local tours.

Currently, users are not forced to watch Stories Ads to the end – they can be skipped at any point to return watching stories by accounts to which the user is subscribed. In addition, many users acquire the habit of “snapping” videos by analogy with TV channels on the buttons of the remote. In the light of this, brands are recommended to make the first half a second of the video as visually appealing as possible, avoid subtle in favor of the clearly indicated brand name/logo of the brand and the emphasis on the product; use simple fonts and minimalist style to make the message clear, memorable and understandable. Of great importance is also the addition of a vivid music.

In autumn 2017, the advertising opportunities of Instagram Stories reached a new level with the addition of Canvas functionality, which is used on Facebook: now you

can add to Stories interactive features, which include photos, video, GIF and interactive buttons. The “camera” functions in the Stories section also became available: masks, boomerangs and drawing tools.

The further format development implies the automatic optimization of ad campaigns in Instagram Stories with campaigns on Facebook, Instagram and the advertising platform Audience Network. This is a logical move, since Instagram Stories gives advertisers extra efficiency. For example, in order to increase the awareness of the new Genoptics cosmetic line, SK-II (a Procter and Gamble brand) conducted a split test of advertising in Instagram Stories in conjunction with campaigns on the Facebook feed and Instagram. It achieved a brand lift of +13pts for its new product and +30% reach among its target audience of females in Japan aged 18-54 versus running on Instagram and Facebook feed alone.

As for Facebook, in the summer of 2017 the company announced the launch of the premium content platform Watch in its social network, where it is possible to watch videos published in the social network, as well as shows created by professionals. Soon on the platform appeared original shows and broadcasts from Major League Baseball, National Geographic, NASA, Billboard and other companies. By the business model, the service is similar to YouTube – watching is free but accompanied by advertising. The main potential of Facebook Watch is the creation of a hyper-personalized streaming service that involves not only accurate recommendations, but also social viewing: subscribing to a channel or a show immediately gives the user the opportunity to communicate and interact with other fans through appropriate groups. Viewers of live streams can access live comments, where they can correspond with other users and friends. In the future, Facebook plans to integrate new episodes of shows released on Watch in the newsfeed.

Facebook Watch leaves the possibility for content providers to make money on product placement instead of advertising inserts (to ensure transparency, such content should be marked as sponsorship).

For the development of ad inventory, in early 2017 the company launched mid-rolls in video content (since the summer of 2016 the format had been tested in live broadcasts of Facebook Live) – they appear after the user watched at least 20 seconds of the video, which means that the available inventory in the social network is much less than it seems: Facebook counts the content completed view after three seconds of playing. The company gives publishers 55% of advertising revenue and leaves themselves 45%, which is comparable to the model of YouTube, but not as profitable as Twitter, that offers publishers 70% in the Amplify affiliate program. Advertising is sold via programmatic, the company prefers user targeting to contextual placements through direct purchases.

Facebook initially abandoned the common practice and did not launch advertising before the video. However, gradually the dissatisfaction of publishers who see quite a scant monetization of the social network's huge audience has been increasing (CPM of mid-rolls in several publishers' videos was only \$0.75, or even \$0.15, the others earned only \$500 on videos with more than 20 million views)²⁷. Therefore, in early 2018, the company began testing pre-rolls on the Watch platform. The testing was successful, and, in the spring, Facebook announced the expansion of the pre-roll format beyond Watch – in particular, to the search results pages.

The company also announced other changes in its video monetization policy. Firstly, Facebook will launch "preview trailers", which will allow publishers and content creators to promote their videos in a mini-trailer format in the newsfeed. In addition, it launches the tool for automatic insertion of ads to optimize the moment in which advertising is inserted during the playback.

In addition, the company joins YouTube in the issue of brand safety and launches a "brand safety before publication" test, which allows the content creators to undergo a preliminary brand safety test for their content. After preliminary approval, the content is immediately available for monetization right after its publication on the platform.

27. <https://digiday.com/media/facebook-ad-breaks-are-not-bringing-in-a-lot-of-money-for-publishers/>

Along with the announcement of these changes in the policy of monetization, Facebook has announced plans to reduce content that is not of value to users, for example – the use of artificial content reposts to overstate the number of video views, as well as of videos that consist of static images, to increase the CPM.

GDPR

The main event in the legislation affecting not only the video advertising market, but the work of all digital companies as well, was the EU GDPR – the European General Data Protection Regulation (Regulation [EU] 2016/679). This regulation was adopted as early as 2016, but it comes into force on May 25, 2018 and will replace the national data protection legislations. The GDPR imposes a number of requirements, the non-fulfillment of which implies serious sanctions. One of the main ones is the notification within 72 hours about the violation of data confidentiality, even if it was not possible to establish the cause of the leak. In fact, the data are considered compromised, and an attempt to conceal this fact entails the imposition of a fine.

The regulation extends not only to European companies, but to any companies that process and store data related to EU residents. In the case of online video market, GDPR affects any player using interactive, personalized video formats, lead generation or any tracking system related to marketing optimization. It is necessary to pay attention to how exactly the user consent is taken to collect use his personal data. Consent in the law is defined as "any freely given, specific, informed and unambiguous indication of the data subject's wishes by which he or she, by a statement or by a clear affirmative action, signifies agreement to the processing of personal data relating to him or her".

Companies in the scope of the new European data protection regulations are advised to conduct a comprehensive assessment of the methods and tools used to process personal data and to bring them in line with the new GDPR rules. It is also nec-

essary to revise the privacy policy and regulations on the processing of personal data of the Terms of Use of its websites and online services aimed at European consumers and users. To comply with the GDPR requirements, it is necessary to develop internal data protection policies, train staff, conduct data processing checks, maintain documentation on processing algorithms, implement built-in confidentiality system, and appoint a person responsible for processing personal data.

Despite the fact that the new requirements for processing of personal data are serious, they have positive sides for non-European players: it is easier to adhere to a single set of rules for data protection and processing than take into account the national nuances of processing personal data of each individual EU country, as it was before GDPR. Moreover, the reform is aimed at stimulating economic growth by reducing costs and bureaucracy for companies operating in the EU. Compliance with one rule instead of 28 (the number of EU member states) will help small and developing companies to enter new markets. According to the law, in a number of cases, obligations vary depending on the size of the business, the nature of the data being processed, and other factors.

PAID BUSINESS MODEL DEVELOPMENT

2017 was marked by the entry of two major, initially ad-supported players to the arena of paid streaming TV: YouTube TV and Hulu Live TV.

In the spring of 2017, YouTube launched the YouTube TV service (currently only available in the US): online broadcasting of five major TV networks (ABC, CBS, CW, Fox, NBC), including sports channels, and cable broadcasters for \$35/month (later the cost was raised to \$40/month, which is more similar to the average market subscription price for such services). Both linear and on-demand content is available on the website, in mobile applications and smart TV and consoles: Roku, Apple TV, Chromecast,

Xbox One, etc. The cloud DVR function is supported with unlimited content storage for up to 9 months (standard offer from competitors is 28 days).

Recently, the first digital-only channels were added – from the news startup Cheddar, with Tastemade and Young Turks to join later. This will allow YouTube TV to better differentiate from competitors delivering TV content via the Internet, and also to attract young viewers who have grown up not on traditional TV.

According to reports, currently YouTube TV does not pay digital publishers for content retransmission (as it is with “traditional” TV networks). YouTube and its digital partners will jointly sell advertising on the channels and share revenues – it is not yet known in what proportion; usually, in the case of on-demand content, the platform takes 45% of its revenues.

Even so, distribution via YouTube TV that is growing its subscribers base is a good opportunity for publishers with the ambitions of linear and OTT broadcasters. While YouTube has not published information about TV content consumption on its platform, viewers are probably more active on “connected” TVs than on smartphones and tablets. This trend is typical for most OTT products and streaming TV. The combination of a long viewing time, watching on TV screens and closed “premium” content environment should also help the market determine the reasonable CPM and attract large national advertisers who previously were reluctant to advertise in streaming services or in the digital environment as a whole.

The Hulu Live TV service was announced back in May 2016 after the platform's co-owners – 21 Century Fox, The Walt Disney Company and Time Warner – agreed to distribute the content of their TV channels to it. Officially Hulu Live TV was launched in May 2017 at a price of \$40/month. In fact, at the moment its offer does not differ much from YouTube TV (channels offering, cloud DVR, access from various devices).

In May 2018, AllianceBernstein analysts released a report in which they noted that YouTube TV was able to create a simple and inexpensive service, that viewers have long sought. Apple was going to do it much earlier, but the company failed: “In 2015,

the Wall Street Journal reported that Apple planned to offer a streaming TV service with 25 channels for \$30 to \$40 month. But it's now 2018... and we're still waiting”²⁸. For quite a long time it was expected that the TV and cinema industry will experience a similar disruption as in music or the newspaper. Netflix has certainly shaken up Hollywood, but nobody had reached cable TV... until the YouTube TV came. At the moment, the service offers the same number of TV channels as cable TV operators. Moreover, YouTube TV wins in the “price-quality” ratio in any scenario, besides it does not have an annual contract or hidden payments. In addition, YouTube TV is not only cheaper than cable TV, but also better. “Cable companies are not tech companies. Their apps never work quite right. The user interfaces lag. The streams don't buffer properly. Cloud recordings mysteriously fail to record. <...> Once you switch to YouTube TV... everything finally works like it should”.

As for Apple – perhaps the company decided that the TV subscription business will not be profitable enough, or the launch of the service was postponed in anticipation of more cable partners – in any case, according to analysts, the company has made a mistake. Such perfectionism makes sense in developing of consumer electronics, but not when creating a consumer service. Service can always be remotely updated, iterated and improved. And that's exactly what Google did.

As users are “cutting the cable” and switching to streaming TV services, it becomes more difficult for broadcasters to put the show ratings in a single picture – especially at the local level (DMA, designated market areas, which determine local TV markets).

In 2017, the main TV meter in the US, Nielsen, added Hulu Live TV and YouTube TV to its so-called C3 and C7 ratings, which reflect time-shifted viewership during three- and seven-day windows. While these data are not used directly for advertising sales or official ratings, but they are already giving broadcasters and content producers a better understanding of their own audience regardless of the content distribution channel. However, this information has become part of the so-called Nielsen’s “common currency” ratings on a local level.

28. <http://www.businessinsider.com/youtube-tv-is-the-experience-apple-promised-but-failed-to-deliver-2018-5>

Google does not disclose the number of subscribers for YouTube TV, but CNBC earlier this year estimated them at about 300 thousand (Hulu at the same point – 450 thousand). Both services cost \$40 per month for 60 channels, with the option to add packages for \$5 to \$15. Some analysts believe²⁹ that at the moment YouTube TV loses about \$5 per subscriber, or \$60 million per year. Most likely, this is part of a long strategy game in which the company hopes to get better rates from broadcasters by increasing the number of subscribers or even can create its own content or channels. The latter will allow Google to introduce its highly-targeted advertising system to YouTube TV.

In 2017, Netflix earned more than \$11.6 billion, and its audience was 117.5 million users (of which 24 million are first-time subscribers) in more than 190 countries, watching more than 140 million hours of movies and shows per day (+9% vs. 2016). In 2018, the company plans to spend \$7.5-\$8 billion on content creation, \$2 billion on marketing (\$1.3 billion in 2017), \$1.3 billion for technology development. The forecasted revenue for 2018 is \$15 billion³⁰. According to Verto³¹, by the size of the U.S. audience, Netflix occupies a confident first place (65.2 million), ahead of Hulu (41.5 million) and far behind Amazon (19 million), HBO Go (4.7 million) and Sling TV (1.5 million).

MEDIA MEASUREMENT NEWS

Nielsen, the main measurer of Western markets, in 2017 presented a number of new studies shedding more light on the U.S. video viewership.

Firstly, it's Nielsen Subscription Video on Demand (SVOD) Content Ratings – measuring streaming services' programs in a way that's comparable to linear TV. Reporting includes ratings, reaches, frequency and segmentation reporting. Thus, the service

29. <https://www.engadget.com/2018/05/23/nicelsen-youtube-tv-local-audience-ratings/>

30. <https://www.cnbc.com/2018/03/08/netflix-ceo-reed-hastings-sees-15-billion-in-revenue-this-year-report.html>

31. <https://www.forbes.com/sites/danafeldman/2018/01/22/netflix-has-record-breaking-fourth-quarter-in-2017-exceeds-11b-in-revenue>

does not just track the number of people streaming a show, but the audience makeup as well – like the viewers' ages, for example. It will also help content producers track their shows' full lifecycle – from airing on TV, to time-shifted viewing via DVRs and other on-demand options to streaming services. At the time of launch, Nielsen's new product only works with Netflix, but expects to add Amazon Prime and Hulu in 2018.

The company had attempted to measure streaming services before – back in 2014 the data was collected through an opt-in service. The current project will help to link the demographic data of users and households from the meter's TV panel through video signatures and the analysis of sound recognition system in Nielsen households. Unfortunately, currently only data from connected TVs is measured – data from the desktop and mobile devices are not taken into account, which undoubtedly affects the accuracy of measurements - it is estimated that mobile devices can account for up to a quarter or even a third of Netflix views. Therefore, it is not surprising that immediately after the publication of the first results in the press, Netflix stated that the presented figures have nothing to do with reality. Nevertheless, these are the only indicators from a third-party meter, available for purchase to any market participant (among the first subscribers are A&E, Disney-ABC, NBCUniversal, Lionsgate and Warner Bros).

Another important event for Nielsen became the purchase of Gracenote, a global tech player that creates, gathers and sorts information about TV shows, sports and entertainment programs using its patented Video Automatic Content Recognition (ACR) system. Such a system can quickly collect personalized information, as well as determine what content is played on a specific device (Smart TV) without requesting any information from the viewer. Accordingly, a basis is built for displaying targeted advertising. Thanks to the Gracenote partnership with creative ad solutions suppliers Connekt and Ensequence, that ensure the overlay of the "interactive layers", after viewing the advertisement, the viewer can go to the branded microsite or get a coupon to his smartphone if he specifies his phone number. In the fall of 2017, Gracenote technology was already present in 27 million smart TVs worldwide, and more than 40 million TVs are compatible with it.

Nielsen added Gracenote's smart TV viewing data to the Nielsen Marketing Cloud. Now Nielsen DMP customers can access a "Gracenote Smart TV Segment Data" source both for targeting pre-built segments and for creating their custom combinations out of more than 60,000 available segments. It should be noted that, having started with household data, Nielsen was able to successfully move to person-level. This allows to customize interaction with a specific user in any environment, for example, moving from Smart TV to digital.

In February 2017, comScore announced the introduction of the reporting of new mobile video metrics for YouTube and its Partner Channels across its core audience measurement services in the US and the UK (Video Metrix Multi-Platform). Previously, it had been known that mobile devices account for an average of 70% of YouTube video views. The inclusion of mobile consumption increased desktop reach of the Top 50 YouTube channels in the US by an average of 218% and viewing time by 380%³². On desktop, only 15 YouTube partners used to have at least 10 million viewers, with the addition of mobile devices there are now 69 of such channels.

A year later, the YouTube measurement in the comScore panel was added to 13 new countries. Nielsen has also expanded its measurement of mobile YouTube – it is now available in three new countries – the UK, Germany and France.

In Germany, Google announced a partnership with the AGF telemetry, which has included YouTube's reach data in its ratings since 2015. The goal of the partnership is to help advertisers compare the effectiveness of advertising on YouTube with the television.

³². <https://www.comscore.com/Insights/Press-Releases/2017/2/comScore-Enhances-Mobile-Video-Reporting-for-YouTube-and-Its-Partner-Channels-to-Bolster-CrossPlatform-Measurement>

FORECASTS

Global market. In 2018, digital video, according to Dentsu Aegis Network³³, will account for 5.7% of all global ad spending. The company names digital video one of the drivers of digital advertising growth in 2018 (mainly due to the continued proliferation of smartphones and video viewing on mobile devices) and estimates the growth of the global video advertising in 2018 at +25% compared to 2017.

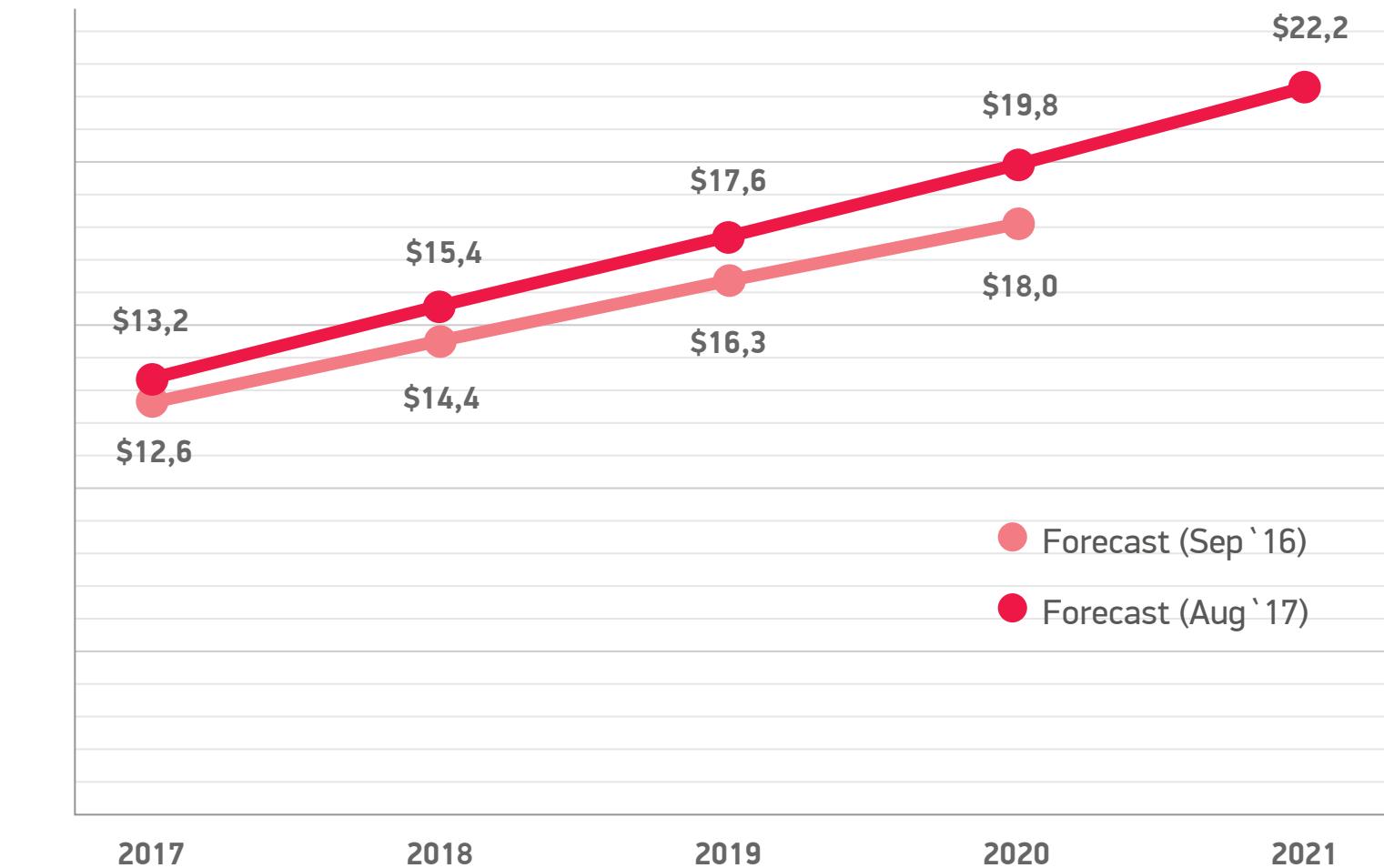
Magna Global's³⁴ valuation is slightly higher: \$29 billion, 29% more than in 2017 (growth of all digital advertising +13%). At the same time, desktop video is expected to grow by 12%, while mobile video will grow by 48%. Due to this in 2018 mobile video advertising for the first time will have a bigger share than desktop: 52% vs. 48%. Such an outpacing growth in mobile dynamics is supported by improving the quality of video viewership on mobile devices, the continued proliferation of wireless broadband Internet access, and increased attention to mobile video content from publishers. By 2022, global online video advertising, according to Magna Global, will exceed \$60 billion, and digital video viewership will account for a quarter of the entire time of video viewing (TV + online).

In the US, online video advertising continues to grow double-digits. eMarketer predicts that in 2018 the video advertising market will grow by 17% to reach 15.4 billion, and by 2021 – to 22.2 billion. The share of video advertising of total digital advertising will continue to grow gradually: from 15.9% in 2017 to 16.4% in 2018 and 17.2% in 2021. The latest company's forecast is even more optimistic compared to the previous from the end of 2016 – originally the 2018 volume was projected to grow to \$14.4 billion.

33. Dentsu Aegis Network, "Global Advertising Forecasts", January 2018. <http://www.dentsuaegisnetwork.com/m/en-UK/DAN%20Ad%20Spend%202018/JAN%202018%20Ad%20Spend.pdf>

34. Magna, "Global Advertising Forecast. Winter Update", December 2017. URL: https://www.magnaglobal.com/wp-content/uploads/2017/12/MAGNA-Global-Forecast_Winter-Update_Final.pdf Based on 70 countries studied. This figure does not include social video, which is analyzed separately within the "Social" segment.

U.S. Digital Video Ad Spending Forecast, \$bn³⁵



Programmatic buying of video advertising will continue to grow: brands are increasingly using sophisticated segmentation and targeting (advanced audiences), and publishers are increasingly understanding and accepting the importance of automation's role of in the sales process. By 2018, 74% (and by 2019 – 77%) of all video advertising in the US will be bought programmatically³⁶. Mobile video programmatic in 2018 will grow by 32% to \$6.6 billion, and by 2019 three-fifths of all the programmatic video ad spending will be mobile.

35. eMarketer, US Digital Video Ad Spending, 2017-2021, October 2017. Includes advertising that appears on desktop/laptop computers, mobile phones, tablets and other internet-connected devices; includes advertising that appears before, during or after digital video content in a video player; does not include out-stream and in-feed video on social networks – these formats relate to rich media and social advertising.

36. eMarketer, "US Programmatic Ad Spending Forecast. The Duopoly Drives Dollars Through", October 2017. <http://www.emarketer.com/Chart/US-Digital-Video-Ad-Spending-2017-2021-billions-change-of-total-digital-ad-spending/209000>

In Canada. online video advertising in 2018, according to eMarketer³⁷, will total CAD 587 million, and in 2021 - CAD 789 million. In 2018-2021, video advertising will grow at the same rate as total digital advertising, so the share of online ad video from the digital market in 2018-2021 will remain at the level of 8-8.1%.

British digital video market, according to eMarketer³⁸, in 2018 will grow by 18% to GBP 1.6 billion. Mobile segment will grow by 31%, and desktop will decrease by 31%. Thus, the mobile – desktop ratio from 80:20 will shift to 88%:12%. By 2021, digital video in the country will grow double-digits every year, desktop advertising will continue to decline, and mobile – will increase. For 2021 analysts predict the total volume of the video advertising market to be GBP 2.5 billion, and the ratio of desktop and mobile video advertising will be 96%:4%.

In China, in 2018, the video advertising market is expected to grow³⁹ by one third (33%) to \$10.6 billion, and by 2021 – \$17.7 billion. Video in China is the most growing format within digital advertising, and eMarketer expects that by 2021, video ad spend will exceed traditional TV (\$17.2) and will account for 13% of the total advertising market in the country.

IN RUSSIA

EVENTS AND TRENDS

CHANGES IN SELLING

The video sales house Gazprom-Media Digital and the online cinema ivi have agreed on a strategic partnership, within which, as of January 1, 2018, GPMD begins selling desktop and mobile inventory in the ivi player on an exclusive basis. Advertisers will have access to all key formats of video advertising, including interactive videos and special projects on both platforms.

Thus, GPMD will focus on monetizing licensed video content: the exclusive partnership with ivi will significantly increase the volume of licensed video inventory on its network and expand the audience in the segment popular among advertisers. In addition, GPMD will continue to monetize the licensed content in VKontakte.

With this partnership, GPMD plans to increase the weekly reach of its video network by 12%, and the daily reach – by 14%. At the same time, the increase in weekly reach among the female audience 18-44 will be 14% and the daily one – 19%. Weekly reach of all 25-44 will grow by 12%, daily - by 16%. These segments are the most popular among advertisers interested in an active and payable audience.

IMHO VideoNetwork, in turn, was replenished by another online cinema – Megogo, which stopped working with GPMD once the competing ivi became a GPMD client. IMHO received an exclusive right to sell video ads inside the content on all service's platforms: desktop, mobile and Smart TV. The ad-supported model remains key in Megogo's revenue structure: despite the growth of user payments and interest in

37. eMarketer, "TV and Video in Canada. New Viewing Habits Bring Multiscreen Challenges for Advertisers", August 2017.
Includes advertising that appears before, during or after digital video content in a video player.

38. eMarketer, "UK Digital Ad Spending by Industry", August 2017.

39. eMarketer, September 2017.
<https://www.emarketer.com/Article/Chinarsquos-Digital-Video-Ad-Spending-Overtake-TV-by-2021/1016452>

transactional products, in 2018 Megogo plans to maintain positive dynamics in advertising revenue. Now the service occupies the third place by revenue after ivi and Okko, and about 80% of Megogo's revenue comes from advertising.

Bela Dokumova, Buying Director of Digital BBDO (Media Direction Group), noted in a *Kommersant*'s article that "from ad buyers' point of view, working with GPMD or IMHO has no fundamental differences"⁴⁰. Moreover, as a matter of fact, these two sales houses competing for clients have the same owner since 2017 (New Service Company, NSC).

In the spring of 2018, IMHO, as an official reseller, began to sell video advertising on YouTube in professional TV content – on more than 150 YouTube channels of Russian TV companies and TV content producers such as Perviy Kanal (Channel One), VGTRK, Moscow 24, KVN, NTV, TVC, CTC, Zvezda, U, MUZ-TV, YBW, Ren TV, Mosfilm, Krasny Kvadrat, etc. The total audience reach on this inventory exceeds 40 million unique users per month. Previously, advertising there was placed by Google itself. Video ad placement planned on all available platforms: desktop, mobile and smart TV. Advertisers will be able to get a fixed price in the CPM model, reservation of placement volumes in a specified period, as well as all popular types of targeting: gender, age, income and geography across Russia.

Also, beginning April 1, 2018 IMHO started selling out-stream video advertising (read-roll) on the Independent Media publishing house assets: Cosmo.ru, Bazaar.ru, Goodhouse.ru, Graziamagazine.ru, Esquire.ru and Popmech.ru on all platforms (desktop and mobile). Read-roll is integrated into professional lifestyle content and shows high efficiency among similar formats: as noted in the press release⁴¹, the share of completed views is at least 70%. According to Independent Media, the total audience of these digital projects is more than 27 million users (+45% in 2017), that view about 145 million pages per month. 90% of this audience are women, more than half of them belong to the most popular age group for advertisers, 25-45 years old.

40. <https://www.kommersant.ru/doc/3494130>

41. <http://www.imedia.ru/news/22462/>

In the programmatic segment, IMHO has agreed on a strategic partnership with Getintent: advertisers are now able to automatically purchase out-stream video advertising via DSPGetintent on all IMHO OutstreamNetwork sites: Videonow, Gismeteo.ru, Sports.ru, TVZvezda.ru, Ren-tv.com and others with a potential reach of about 20 million users.

The first automated launches of advertising campaigns on the IMHO inventory showed excellent results on key parameters: the ViewRate (ViewabilityRate) indicator on the IMHO network resources, according to GetIntent, turned out to be 1.5 times higher than the average. Also, there is a noticeable growth of video completion rates by quartiles (2-3 times higher than average values), churn rate decreased almost twice, and the session duration increased 3 times. These results clearly demonstrate that, despite the advantages of in-stream formats that are leaders by video completion rate and CTR, the out-stream format provides excellent results for performance and post-click indicators⁴².

NEW AD PRODUCTS

Starting the spring of 2017, Yandex advertisers are able to place video ads with payment for only viewable impressions by Media Rating Council / Internet Advertising Bureau standards: an impression is valid if at least 50% of the player's area is visible for at least 2 consecutive seconds in the user's visibility zone. According to the company, the average viewability of advertising in the Yandex Video Network exceeds 75%.

Measurement and viewability control are possible on Yandex's own assets and on Yandex's partner network sites using the JavaScript VPAID standard (provides two-way communication between the video player and the advertising networks). The new product is available for in-stream and out-stream formats, and clients can use all Yandex targeting tools. There is also a protection against bot views, and external viewability audit by Weborama. The first to test the new offering were the clients of the advertising agency Dentsu Aegis Network.

42. <http://www.sostav.ru/publication/imho-i-getintent-dogovorilis-o-strategicheskoy-sotrudnichestve-27535.html>

In the summer of 2017, following Yandex, official viewable products were released by the largest video sellers in Runet – IMHO and Gazprom-Media Digital. All of them track viewability according to the MRC / IAB standards (at least 50% of the screen area of the video player should be in the visible area for a minimum of two consecutive seconds).

GPMD launched a new sales model Viewable Cost Per Mille (vCPM) – the cost per thousand viewable impressions. The first campaigns were conducted jointly with the agencies Mindshare and Mediacom, both part of GroupM.

To measuring ad inventory visibility, GPMD uses its own software solution that complies with the latest international requirements.

“The impression that no one has seen is of zero value to the advertiser’s business. The research by ComScore shows a direct correlation between the viewability of the ad message and the growth in sales. Therefore, the topic of the ad viewability displays on the Internet has recently become one of the in the top five most discussed by ad industry representatives. Obviously, many messages in traditional media remain unseen as well – people can switch a TV channel, swirl the advertising page in the magazine, ignore the radio ad. The Internet’s difference is that advertisers and publishers have the opportunity to measure viewability and try to increase it and switch to new metrics for evaluating the effectiveness of ad campaigns, that require completely transparent buying methods”⁴³.

Ksenia Sklyarova, MediaCom

IMHO within its video network has introduced a package “Viewability 100%”, in which the fee is charged only for viewable online video advertising impressions. When calculating the viewability of the impression, the standard of visibility of IAB / MRC advertising is also used, and the data verification (same as for Yandex) is done via Weborama through accessing Weborama Campaign Manager (WCM).

43. <http://www.sostav.ru/publication/gazprom-media-digital-dobavlyaet-vidimosti-v-videoreklamu-27064.html>

The placement of the new package is available everywhere throughout the IMHO Video Network, with a total monthly reach of 20 million visitors (Mediascope, desktop, Russia 100k+, 12-64), including popular Runet sites: online theaters (Megogo.ru, TVZavr.ru, Tvgile.ru), TV sites channels (Perviy Kanal, VGTRK, REN TV, U, Zvezda, etc.).

According to a Weborama study for the first half of 2017⁴⁴, the average market viewability rate in in-stream format was 52%, in out-stream – 84%. As the IMHO video network consists of premium inventory and the advertisement is placed only in a long-form licensed content, the viewability rate on such inventory reaches 80-90%.

“According to data by Weborama for the first half of 2017, the average viewability for the market is 52%; that means that half of the commercials were never seen. In addition to a separate product, where we offer to buy only viewable impressions, we use filters when placing advertising campaigns. These filters cut domains that have viewability below 75% according to MOAT”.

Lubov Yachkova, IMHO

The introduction of a new model that considers the visibility of the advertisement, reflects changes in the practice of buying online video advertising and display advertising which experts began to notice back in 2016. Now record of ad impression occurs at the moment of the start of the video. Although it is impossible to ensure a 100% viewability of an ad campaign, some advertisers are willing to pay a premium price for those impressions that were played within the visible zone of a computer screen.

“We see the main trend of 2018 to be a gradual change in the approach to assess the effectiveness of video ad placement. The transparency of placement, brand safety and measurement of ad impact on the user with the help of post-view surveys will gain more popularity. Out-stream video advertising will grow due to higher visibility (viewability) and offering more premium inventory for placement. The market will seek to measure the impact of advertising on a user through research, such as ad recall studies”.

Anton Beschekov, NATIVEROLL.TV

44. Weborama OLV Barometer, H1 2017. <https://weborama.com/wp-content/uploads/2018/08/Weborama-OLV-Barometer.pdf>

As for the new advertising formats, in September 2017 Sports.ru, IMHO and Videonow launched the fly-roll format. It is a technological compilation of a classic read-roll located in-text, and a reduced player-reminder. Reminder is activated when the read-roll goes out of sight and does not overlap the content, moving to the bottom of the screen. The first customer was PepsiCo, Adrenaline Rush.

The format was tested in two lengths – 10 and 20 seconds, and both videos showed impressive results in terms of a video completion rate (VTR): the 20-second video was viewed entirely in 60% of cases and the 10-second one – in 69% of cases, which on par with pre- and mid-rolls and 2-3 times higher than for a classic read-roll of a similar length (average rate of completions is 20-25%).

"We are sure that Fly-roll will be of interest to advertisers that find the share of completed views to be an important KPI. This format fully complies with IAB standards and is popular with such famous publishers as Time, Huffington Post and Bloomberg".

Ilya Shatalov, Videonow

Other new ad products include Yandex's launch in summer 2017 (open testing – autumn 2017) of Video Add-ons on its Yandex.Direct advertising network. These are video formats focused on small and medium-sized businesses who usually cannot afford traditional video advertising. As part of the experiment, Yandex automatically creates 15-second videos out of contextual ads and pre-made video clips and places them both in-stream and as ad units with video on text pages. Video ads, just like contextual ads, will be sold through the auction model by CPC. According to the results of the first tests, the CTR of the new format is higher than the usual advertising in Yandex. Direct: users are more likely to click on video ads and more likely to fill in applications for services. As a consequence, the CPA decreases by an average of 10-12%.⁴⁵

According to Andrey Chernyshov, VP of the Russian division of Dentsu Aegis Network⁴⁶, Yandex takes over part of the client's production costs. It will also allow targeting new formats by search queries, which can attract large advertisers who are inter-

45. <https://yandex.ru/adv/news/priyatnogo-prosmotra-video-dopolneniya-v-direkte-v-otkrytoy-bete>

46. <https://www.vedomosti.ru/technology/articles/2017/07/04/709479-yandeks-videoreklamu>

ested in seeing their videos showing to the target audience. However, major publisher, traditionally and for a long time showing video advertising, are unlikely to completely switch to this new type of advertising: the placement of traditional video advertising is more expensive, and the new format is more useful for selling unsold inventory.

Among other new products could be mentioned Yandex "Fixed CPM. Premium Multi-roll" – it is placed within the Video Network only on premium sites (online TV on Yandex's main page, in Yandex display network, as well as on online cinemas and TV channel sites) and the beginning of selling large video formats (970x250, 240x600, 300x500 and 300x600) through the RTB-auction of the Display.

Finally, the testing of Brand Lift deserves a separate mention. It is evaluation of display ad campaigns effectiveness with the help of brief user surveys control and test groups (before and after the campaign). The results of their answers are compared across key brand metrics. For example, at the closed testing stage, the Philips team used brand lift and found out that after the ad campaign for the OneBlade devices, brand awareness grew by 14%, and the advertisements and messages recall - by 71% and 55%, respectively. The survey form is organically built into the service and can be shown instead of the multi-roll in the player on the partner sites.

In 2018, according to some experts, a new advertising format can enter Russian market – Rewarded Video, where watching ads helps players earn in-game currency or receive other additional privileges that help their success in the game.

*"Currently this method of monetization is used in more than half of mobile free-to-play games. To date, rewarded videos are widely used to promote games and mobile applications. However, advertisers from other industries have yet to evaluate the effectiveness of such advertising. A definite change in the minds of major brands already occurred in the middle of last year, when the U.S. budgets for rewarded video almost doubled. Obviously, this wave will very soon come to Russia, so the pioneers still have very good chances to cream off the best from this promising advertising format"*⁴⁷.

Mikhail Balakin, GetIntent, in the column for Cossa.ru

47. <https://www.cossa.ru/trends/202515/>

SOCIAL VIDEO

Starting 2018, Mail.Ru Group and its advertising partner Gazprom-Media Digital divide Vkontakte video ad sales. Now Mail.Ru Group manages video ad sales in user videos (UGC), and GPMD – in licensed content. Vkontakte video ad buying is now available as part of the single format across other Mail.Ru Group resources: via the auction model on the platform myTarget, as well as through fixed transactions. In both systems, advertisers have the tools to independently audit ad viewability and the evaluate fraud. The tools are provided by international companies Weborama and Adloox.

When placing video advertisements in user content through myTarget, Mail.Ru Group clients can access several hundred different targetings, creation any custom audience segments and other placement technologies offered by the platform. Also, in myTarget's personal cabinet, you can adjust the frequency and the optimal pricing model: for views (CPV) or for 1000 impressions (CPM).

“It is this very video format of promotional in-feed posts where we see the biggest growth. Today, short video is in particularly great demand, and this is mostly UGC. Therefore, we have chosen this direction. We care about users, and positive user experience is important for us, so we regulate the volume and frequency of ad impressions on our side. Everything else just fades on their background. This format is the main driver of 2017 and, to my mind, will remain so in the coming years”⁴⁸.

Elina Isagulova, Mail.ru Group in an interview for AdIndex

Also, in early 2018, Odnoklassniki launched a number of new formats, some of which involve the use of video content. For instance, the ad format with “active buttons” (call-to-action buttons “Go”, “Install”, “Watch”, Call, etc.) works with video ads, which in this case will be clickable across the entire video area. The first tests have showed that this increases the CTR of advertising with “active buttons” on average by 10%.

48. <https://adindex.ru/publication/interviews/media/2018/05/29/171346.phtml>

Russian social networks continued to produce their own video content. To the existing Odnoklassniki's show “OK in Touch”, VKontakte added in 2017 “Public games” (the number of unique viewers for the season reached 33 million people) and “VK Music Awards”, and in 2018 – online games “Clover”. Ad placement in such content is mostly interesting to FMCG advertisers, and all of these projects have featured sponsors from Top 100 advertisers.

Recently the Odnoklassniki's player has become available for viewing and embedding on other Mail.Ru Group resources, including KinoMail.ru and VKontakte. Previously, the Mail.Ru Group sites preferred to use their own developments. Odnoklassniki notes that over the past year its video platform has made a big step forward: there were 4K-broadcasts and exclusive professional content, including live stream of the Winter Olympics in 2018.

In 2017, Odnoklassniki recorded stunning 590 million video views per day, the number of live stream views in OK.ru increased by 3 times⁴⁹. Earlier, the social network reported that in 2017 video viewing grew by 60%, and one of the fastest growing formats was video advertising. OK revenues in this segment increased almost threefold – by 177%.

Although VKontakte supports integration of various third-party players – YouTube, Vimeo, Rutube, Odnoklassniki and many others, – the absolute majority accounts for the videos uploaded to the native VKontakte player. They are auto-played in groups and news feed on all devices, which attracts increased attention from users and increases the likelihood of continuing to watch the video. The most interesting and popular videos automatically go to the main page of the video section vk.com/video.

To date, Telegram has the highest level of conversion in the video advertising industry (up to 17% in March 2018, according to Qmarketing data), if placing the video with a pre-configured CTA. Channels and public pages are already an organic part of a person's private space. This market still resembles “The Wild West”, but the new audience habit of content consumption and perception has already been created. And

49. <http://www.sostav.ru/publication/proekty-mail-ru-group-vklyuchili-videoopleer-odnoklassnikov-31319.html>

if you add fast money transfers, smart contracts, a system of proxy servers, domain names, distributed storage and access to files on top of an instant messenger, then it is clear that 2018 for Telegram promises to be interesting.

VIDEO ACROSS DIFFERENT DEVICES

The Russian Internet audience continues to shift its attention from desktop to mobile devices. According to Mediascope⁵⁰, the total monthly online audience in September 2017 – February 2018 reached 90 million people and accounted for 73% of the population 12 years old and older. The YOY growth was 4%. The devices with the fastest growing audience are Smart TV (+22%) and smartphones (+20%), the share of Russians using desktop computers and laptops (-2%) and tablets (-4%) is getting decreasing. Thus, in autumn 2017 – winter 2018, 55% of Russians use the Internet from smartphones, 54% from the desktop, 18% from tablets, 12% from Smart TV.

The mobile audience continues to grow actively, to date the number of mobile Internet users is 73 million people or 59% of the total population of 12+. At the same time, the number of exclusive mobile Internet users continues to show a significant increase (+20%): in the autumn of 2017 – winter of 2017, their number exceeded the audience of exclusive desktop users. At the moment, 24% of all Russian users go online from mobile devices only vs. 18% from the desktop only. On a monthly basis, 31% of online video viewers watch it only on the desktop, 28% only on mobile devices, 41% – on both. 85% of video traffic from mobile devices falls on Wi-Fi (this share is less for internet as a whole – 76%). 44% of mobile Internet users use mobile applications of the category “Video resources, TV” at least once a month – their number has increased by 13% since 2016⁵¹.

50. <http://mediascope.net/press/news/812866/>

51. Mediascope Web Index, Russia 100 000+, 12-64, Mobile, Apps Only, Excluding Browsers and Stores, as well as pre-installed apps (according to the Mediascope classification).

Users spend on video resources 22% of all their desktop time per month – as much as in social networks, and much more than on any other type of site. On average, there are 35 views of content videos per day per person regardless of their length (based on the results of measurements of more than 5,000 different desktop players) and 40 ad videos per month (in-stream, desktop, September 2017). Young age groups watch more advertising (a maximum of 53 videos is observed in the 25-34 group), and older age groups watch less (the minimum is 20 videos in the group of 55-64-year-olds). Of these, about half are videos 15-20 seconds-long, another quarter – 20-30 seconds.

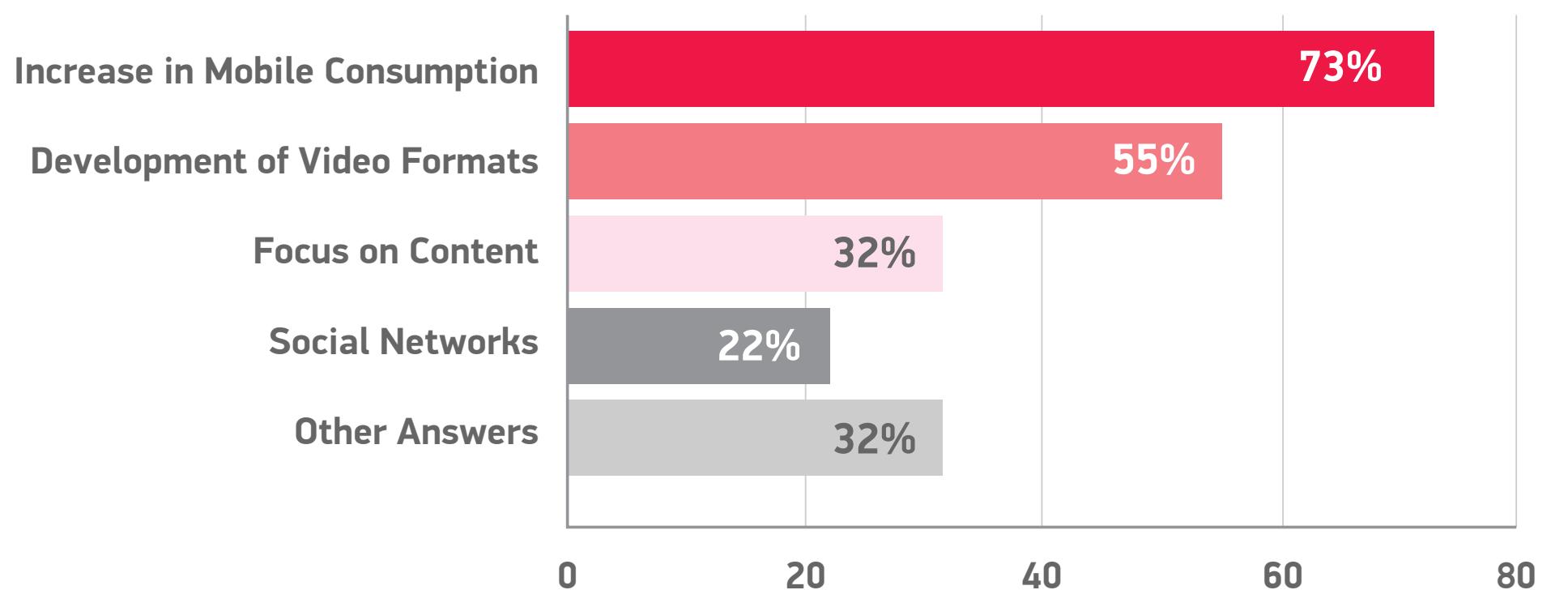
Online video on Smart TV continues to develop actively, particularly, due to the growth of the user base. As of mid-2017, the size of the smart TV base in Russia was estimated at 17.6 million (6-fold growth from 2.8 million in 2012) and share of Smart TVs connected to the Internet was 82%⁵².

When estimating video ad market both in money and in impression share, the experts surveyed by IAB Russia distributed in-stream advertising across devices in the following way: 60-70% accounts for desktop, 20-35% for mobile (including tablets), 5-10% for Smart TV.

According to advertisers interviewed by Data Insight for the IAB Russia study “Digital Advertisers Barometer – 2017”, the main changes in the interactive advertising market over the last year were increase in mobile consumption, development of video formats and the focus on content.

52. <https://ruvod.com/viktoriya-ignateva-trendy-v-onlajn-video/>

What Do You Think Are the Main Changes in the Online Advertising Market That Have Occurred Over the Past 6-12 Months? (Categories of Answers)⁵³



Speaking about mobile advertising, respondents first of all mentioned the growth in the number of mobile users and the time that they spend on the mobile Internet. Other mentions were growth of mobile advertising budgets and the lack of quality inventory associated with this. As for the development of video formats, respondents mostly mentioned the increase of this channel within their marketing budgets. Some respondents mentioned mobile video and programmatic video buying separately.

"In Russia, the share of mobile video is now about 20% of all for video ad spend; by the end of this year we expect growth by 30-35%. In general, our market is developing similarly to the U.S. market, but with a lag, therefore we can expect mobile video ad budgets (and so revenues from it) to exceed desktop by the end of 2019-2020."

"One of the main barriers to mobile video ad placement for many advertisers is still the absence of short ads adapted for mobile, but in comparison, say, with 2016, the situation has improved significantly. Also, more and more advertisers are now making vertical video for mobile devices."

If to talk about mobile video ad trends in Russia, this is, first of all, the development

53. IAB Russia Digital Advertisers Barometer – 2017, October 2017. <http://datainsight.ru/iabbarometer2017>

*of mobile video formats, the emergence of more opportunities for solving advertisers' problems, including various interactive functions for user engagement. Together with the increase in mobile video consumption, this will help increase the share of budgets for mobile video advertising"*⁵⁴.

Irina Kosareva, iProspect Russia, in a commentary for Sostav.ru

*"Mobile segment has been and still remains the main trend of recent years. We forecast that this year will be a turning point: in terms of traffic, mobile has already outperformed desktop, but it lags behind when it comes to ad budgets. A similar picture is observed in mobile video. In September 2017, according to Mediascope, the audience indicators of mobile video equaled that of desktop: mobile video was watched by more than 26 million Russians. However, the share of mobile video advertising in the budgets of brands remained low. According to GPMD, the mobile video ad spend totaled to as low as RUB 1.6 billion, or just about 20% of the total OLV ad spend. We expect that in 2018 the share of mobile video advertising will grow significantly - up to 30-40% of all advertisers' video ad expenditures in RuNet. At the same time, money-wise, the mobile segment can show fantastic growth rates - from 87% to 150% and more than double, to reach RUB 3-4 billion"*⁵⁵.

Sergey Korenkov, GPMD, in a commentary for Sostav.ru

Comparing the placement of video advertising on various devices (desktop / mobile / Smart TV), IAB Russia experts say that the lack of measurements on the mobile platform and smart TV remains a problem, and this affects the possibility of correct estimation of ad placements there. The problem of assessing the effectiveness of cross-placements continues to be acute as well. Smart TV shows high viewability and level of completion, but in many respects, this is due to the fact that most of the video ads on this platform are unskippable.

54. <http://www.sostav.ru/publication/kakie-trendy-samogo-prodvinutogo-v-mire-didzhital-rynka-doshli-do-rossii-31706.html>

55. <http://www.sostav.ru/publication/iab-russia-poiskovaya-i-video-reklama-rastut-by-stree-vsekh-v-runete-30863.html>

“Smart TV advertising with its non-clickable formats and a very high frequency is very close to TV and doesn't make evaluation of digital metrics possible. Mobile, unfortunately, continues to be poorly measured by Mediascope (with rare exceptions), which does not allow to fully and actively use this tool for reach-focused campaigns. Additionally, the inability to fully customize the cross-frequency across mobile and desktop devices (except social) does not allow us to fully appreciate the contribution of each tool to the total reach”.

Irina Gushchina, OMD Optimum Media

“Desktop placement gives more information about a user and her preferences due to cookie analysis, whereas mobile gives better reach, and Smart TV – a better quality contact”.

Sergey Soloviev, Videonow

“We see a strong demand for Smart TV appl. The reach of Smart TV apps in IMHO selling on unique devices is 12 million in 2017, the audience grew by about 50% compared to 2016, and ad budgets-wise Smart TV platform showed a twofold increase. Smart TV provides a focused viewing of content on a large screen, i.e. all the best that could be taken from TV (large screen) and digital (not passive viewing)”.

Lubov Yachkova, IMHO

VIDEO PERSONALIZATION

One of the main trends of 2017-2018 is video personalization. At the moment, this trend mainly manifests itself in the form of interactive video formats that allow user interaction and feedback, as well as dynamic video, which depending on triggers allows to select the most relevant message from a set of customizable elements (weather conditions, currency rate, discount offers, the nearest location, product recommendation, user profile, etc.).

Experts also highlight interactivity in the placement sequence, when a communication chain is built differently with each user depending on his/her response to the previous video contact. Thus, there is not just a single ad creative being used, but a logically constructed series that is sequentially displayed to an individual user.

These ways to increase the relevance and user engagement started being tested and scarcely applied in 2013-2014. An important reason personalization attracts more attention in 2018 is the availability of user profiles data and the fact that advertisers began to switch from the paradigm “online video is a TV's adjunct” to the understanding of online video as a stand-alone format requiring a specific creative, or at least adaptation of a television video for “connected screens”. The logical continuation of this trend should be the spread of technologies already used in the US for personalized TV advertising – Advanced TV and Addressable TV, giving TV advertisers the opportunity to target up to a specific household, and even – to a specific TV viewer within this household.

At the moment the interactivity on “the main screen of the living room” is realized on smart TVs. For example, the main online cinemas and video resources (Ivi, Megogo, Tvgile, Tvezavr, etc.) have been cooperating with GetShop.TV for several years, which technology allows ad viewers to buy goods and services, get personalized discount coupons and register in contests.

One of GetShop.TV's successfully implemented cases is an ad campaign of Volvo XC60 and XC90 cars⁵⁶. The main goal of the campaign is to present special offers for cars and motivate viewers to order this special offer or test drive from one of the dealers. As part of the video, it was necessary to accommodate a large amount of information about the two models and collect the applications from the viewers.

To do this, an overlay was placed on top a 15-second-video and using the remote the viewer could receive not just some more detailed information about the car, but also apply for a test drive. Based on the results, time of interaction with the brand increased 2.5 times compared to the placement of a non-interactive video, unique CTR was 5.43%, average time on the microsite was 38 seconds, Engagement Rate (the sum of all interactions divided by the number of ad impressions) was 12.73%, in total more than 200 test drives were ordered.

IAB Russia survey participants were asked: "What, in your opinion, are the main advantages of using a social demographic targeting, and what are the advantages of using data on user behavior? What tasks are better for each of their methods of targeting for video advertising?" According to experts, placement with social demographic targeting brings the planning of video campaigns to the standards of other segments, mainly – TV. Therefore, digital campaign indicators can be brought to those of TV to calculate the total unique reach. Behavioral targeting, in turn, solves the problem of finding brand audience outside standard social demographic parameters, allows you to more accurately select an audience more susceptible to the message (which in a logical way leads to a narrowing of the target audience) and, as a result, to achieve higher quality KPIs.

"Soc-dem is a historically established and long-used currency, that is understood by all market participants and can be verified. Behavior targeting is a new metric, and as of now there is no way to predict how a particular targeting affects the metrics, but advertisers are ready and test this data".

Alexander Mayzelis, ADV Lab

"Soc-dem is critical for the qualitative reach of target audience by advertising of products targeted at the appropriate gender and age. If there is no strict gender-age division, then you can target different messages, which will help increase awareness. User behavior can be used to narrow target group by topics and interests, you can also use different messages. Soc-dem allows to achieve high-quality wide reach for brand promotion, behavior targeting – to inform about specific products, relative to the user interests, and to deliver this promotion with a higher quality".

Sergey Khan, Segmento

"Given that neither type of targeting is accurate enough, and the fact that the description of target audience often does not correspond to the real audience of consumers / potential buyers of the product, there are no universal algorithms for using this or that type of data. Any tactical implementation of the campaign is testing various methods of audience targeting and learning on the results".

Andrey Molev, AMNET

"Using soc-dem allows you to do the most "calculable" campaigns with the ability to accurately estimate campaign reach in people, whereas using behavioral settings allows you to get better post-click and post-view metrics, as the number of random clicks decreases. It is worth noting that the most convenient tools for the mix of these settings are those available in social and YouTube".

Irina Gushchina, OMD Optimum Media

56. <http://www.sostav.ru/publication/kejs-kak-volvo-privlekal-voditelej-na-test-drajv-cherez-smart-tv-25878.html>

The main drivers for the development of ad buying with the use of data, according to the experts interviewed, are use of 1-st party data, availability and variety of free data from Google and Mail.ru Group when placed on their inventory, transparency in data collection and processing algorithms, technologies that combine online and offline data, as well as a general trend on the measurability of the result and optimization of the cost of contact to make it closer to TV. It is also noted that advertisers make more stringent requirements for targeting narrower target audiences and, in general, conduct a deeper analysis of their target audiences.

Stoppers include: lack of a single standard, solution and data provider; opacity and inconsistency of data when compared in different analytical systems; complexity of efficiency measurement, excessive narrowness (i.e. insufficient capacity) of segments, lack of verification (which stimulates fraud).

“The main drivers are the largest corporations that own a large amount of exclusive data (Mail.ru Group, Google, Yandex). They have on their side both volume and quality and, the last but not the least, – the technologies that allow this data to be used. The issues that inhibit the development of behavioral data are underdeveloped processes on the side of clients who do not see opportunities for themselves or do not have tools for deeper segmentation of their target audience”.

Sergey Korenkov, GPMD

“The main drivers are the general trend on the measurability of the result and the optimization of the cost of contact to be closer to TV. In other words, advertisers have a task of getting high-quality reach of their target audience at a lower cost. The data allows, even at a high cost of impression, to optimize [the campaign] in order to reach quality audience, optimize cost of completed view and even behavioral indicators on the website”.

Sergey Khan, Segmento

MEDIA MEASUREMENTS

In the fall of 2017, the research company Mediascope expanded the general population in measuring the mobile Internet to Russian cities with a population of 100k+. Now the geography of the mobile part of the Web Index (provides detailed information about the size, profile and other characteristics of Internet audience in Russia) does not differ from other projects. The desktop part of the project for several years has been providing information on the population of all urban and rural Russia (Russia 0+) aged 12-64, but the mobile measurement launched in 2014 used to be only for large cities (Russia 700k+).

The next step in the development of the project, according to the company's press release⁵⁷, will be the delivery of data on the audience of mobile ad campaigns, as well as the expansion of the functionality of tools for working with data. In addition, the expansion of the mobile general population will affect the Big TV Rating project. It will allow to continue working on measuring mobile viewing of TV content and advertising.

The Big TV Rating project (measurement of the audience of TV content and advertising in traditional and digital environments), launched by Mediascope at the end of 2016 in a test mode, developed massively in 2017.

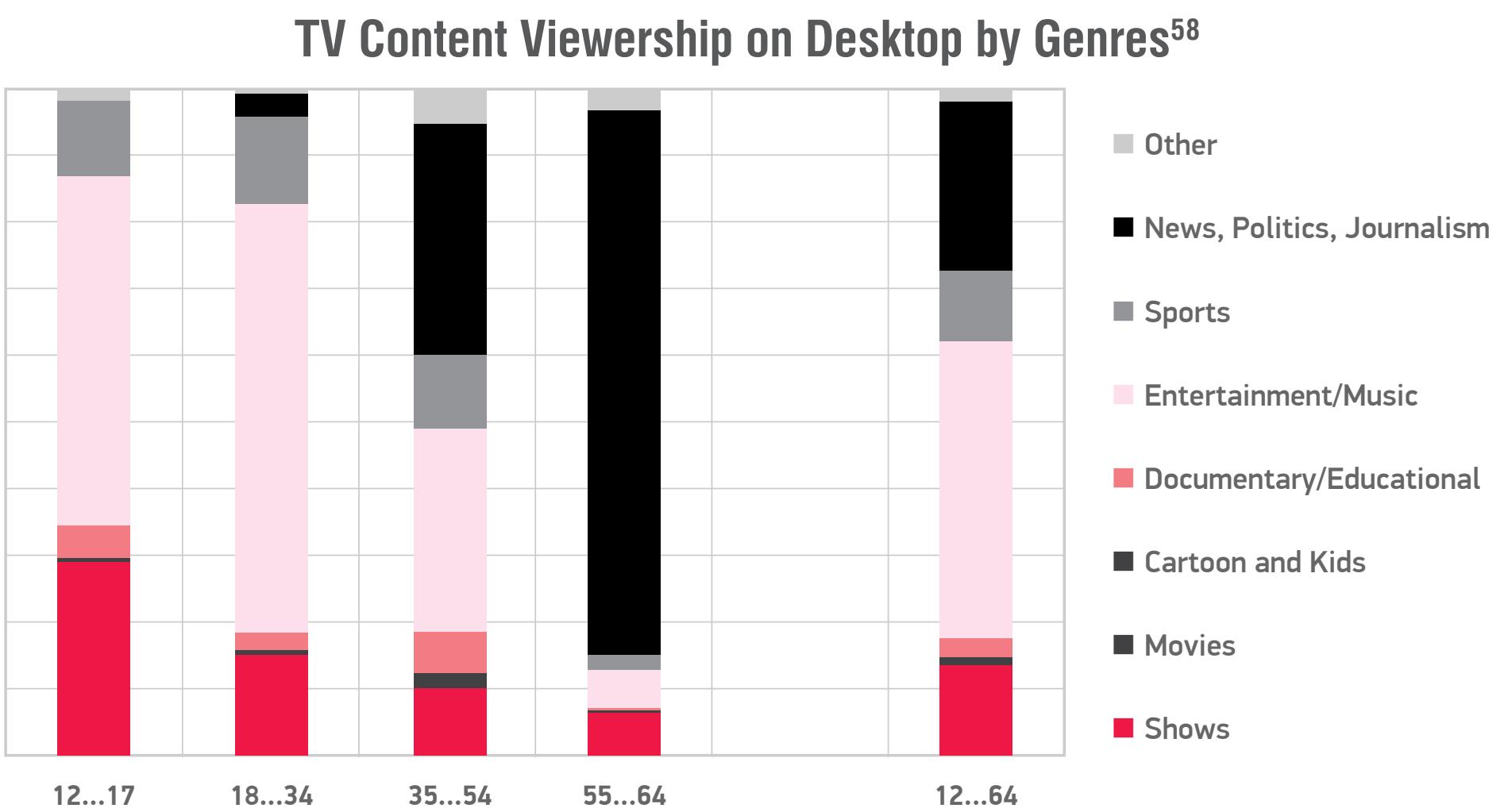
In the spring of 2017, almost all major TV channels joined the project, and the measurement technology began to cover both live broadcasts of TV channels and video on demand.

Projects participants can now analyze the results obtained on a weekly basis in special version of software provided by Mediascope and used by TV channels for classical TV data. Advanced functionality allows you to work simultaneously with different viewing platforms (TV or desktop) and analyze the increase in time-shifted viewing depending on its depth (currently the maximum depth of time-shifted viewing for desktop is 28 days).

57. <http://mediascope.net/press/news/774724/>

On July 1, 2017, Mediascope began the regular supply of project data to the media industry for professional testing. Now the cross-media rating of TV content and advertising is available not only to TV channels, but to advertising agencies and advertisers as well.

Some trends in the consumption of TV content on desktop are already visible. In particular, viewers of different ages prefer to watch programs of different genres. The younger the audience – the more entertainment content (show, series) prevails in the structure of their viewership. The older – the greater the proportion of news and journalistic content, for instance, in the group of 55-64 it makes up more than 80% of the total viewership. This trend is also seen on traditional TV, but the difference there is not that big.



The further development of Big TV Rating includes the use of the new Router Meter technology (a special device that registers all TV and video content broadcasted

58. Mediascope, Big TV Rating, Russia 100k+, mid-2017, 12-64 years old.

over the Internet and viewed on tablets, smartphones, computers and connected devices, and transmits this data regardless of the user's location), addition of Big Data to the panel data, harmonization of Internet and TV studies (general population, sample structure, etc.). In the near future, in 2018 Mediascope is planning to launch the delivery of test data on mobile devices.

"Television is actively developing, going beyond the classical linear environment. Already, most channels allow their viewers to watch their content anywhere, anytime and on any device. And this new environment we call Big TV. The volume of non-linear viewership is already rather high, and the large audience results in the emergence of measurement and monetization. Looking at the indicators of classical TV viewing, there may be an erroneous impression that the TV audience, especially in the young segment, is declining. In reality, it simply has begun to watch differently. The unified rating is designed to show that the audience's interest in professional TV content is not weakening, and, perhaps, even growing. The project launches a conceptually new approach to content monetization. Fundamentally, in this model, the content monetization is equally effective in all distribution environments, which will certainly spur the development of online distribution and help in the fight against pirates. The history is being created in front of us – the Big TV era is coming"⁵⁹.

Alexander Liger, NSC

While Mediascope continues to develop projects for media measurement of Internet audience in the country, the American research company comScore is shutting down Russian Internet projects: since 2018, all that is left here is only a calculation of Russian cinema box office (previously managed by Rentrak, but in 2015 the company announced a merger and continued to work under the brand comScore). The rest of the business in Russia is considered to be unpromising from the point of view of developing and getting revenue adequate to the company's expectations. The market's needs in such studies are fulfilled by competing structures – for example, the aforementioned Mediascope.

59. <http://mediascope.net/press/news/757295/>

In Russia, comScore used to provide the Media Metrix project to measure online desktop audience, Video Metrix for measuring the desktop audience of video players and Media Metrix Multi-Platform, which complemented the main studies with data on mobile audience. The comScore Video Metrix study was available before Mediascope (then – TNS Russia) launched its own video measurements, and many sites used this data for analysis, despite a number of inaccuracies. The American company could not fully develop its methodology on the Russian market, so the quality of measurements in Russia was lower than in other countries and did not satisfy all market needs.

Most experts interviewed by IAB Russia for this study use Mediascope as the most universal (and, de facto, an established monopolist) provider of media measurements. As for the verification of ad campaigns, they mostly use the players already operating on the local market (for example, Weborama, Sizmek, AdRiver, Google Analytics), some have their own development (Yandex, GPMD). Many say that in 2017, there appeared market demand for the introduction of international major players (MOAT, Adloox).

Some survey participants believe that there are enough measuring companies on the market, and if needed there is an opportunity to double-check measurements with different sources. Others believe that Russian industry still lacks mobile web measurements, and Smart TV is weakly measured. Also, there is no free meter like OpenVV on the market for measuring viewability on small campaigns by small advertisers who do not have budgets for paid verification. Both sides agree that such problems remain as discrepancy between the results among different meters and difficulties in technical integration (especially for international verifiers).

"We believe that at the current moment technological solutions are sufficient for measuring 100% of the inventory. But there are two problems: on the one hand, publishers are not ready to measure 100% of the inventory, on the other – different technological solutions that are certified for measurements, in the end provide completely different measurement results on the same traffic".

Alexander Mayzelis, ADV Lab

"Technology is enough, but the quality of measurements is low. There is no technology that would meet all the requirements of advertisers".

Andrey Molev, AMNET

"For inventory audit we use two most popular verifiers on the market: Adloox and MOAT. Everyone has its own shortcomings and advantages; in the aggregate, their data gives the most correct traffic figures".

Lubov Yachkova, IMHO

"There is no total trust to any of them. There are discrepancies among all the measurers that can be very significant. It is necessary to move towards the development of a single measurement of all possible media. Classical mono-channel measurement technologies are rapidly losing relevance with the user's digitalization; their main drawback is that, although they measure a narrow channel very well, they cannot cover all channels and give a 360-picture".

Nadezhda Babiyan, GetIntent

The majority of experts welcome the idea of creating a single measurement standard. Some believe that they already exist, but they are not supported by the whole market, therefore the consistency in following them is needed. As for certified meters, there should be several of them, in order to avoid monopoly and corruption. For the same reasons, they must be independent players.

"A single measurement standard (or understanding what we measure) would simplify the interaction between the buyer and the seller. At the moment, different actors are putting different (sometimes very different) meanings into the same terms. For example, fraud – some call it 'a misappropriation of funds', it is clear that with this approach the conversation is extremely difficult even on the basis of the measurement results".

Sergey Korenkov, GPMD

“Given the presence on the market of both major global and local players, the opportunity to negotiate is still very illusory, since any local solution must be accepted at the level of Google and Facebook HQs, which is hardly possible due to lack of interest in data players on the Russian market. No significant changes should be expected in 2018 for sure. It is unlikely that a single standard of measurement can appear in the three-year perspective”.

Irina Gushchina, OMD Optimum Media

“The possibility of the existence of a single standard is acceptable, but it is practically impossible to make it universal so that it takes into account the peculiarities of individual types of video advertising (in-stream / out-stream)”.

Anton Beschekov, NATIVEROLL.TV

“If it’s a standard, not a single measurer, it would be great if such a standard existed (provided, of course, it is discussed with market players). In addition to the measurement standard, as a consequence, it would be useful to develop recommendations / ‘memo’ for clients (if you want this result, you need this, if you want that – than that, etc.). I do not think that anything fundamental will happen in 2018, this is probably a question for 2019-2020”.

Olga Trushkova, Rambler & Co

TV + ONLINE

In September 2017, the National Media Group (NMG) established a company to launch an online platform Vitrina TV. Six months later, the affiliated companies of Perviy Kanal, CTC Media and VGTRK became its official co-owners. Each of the companies now owns 25% of the new project.

Vitrina TV is supposed to become a Russian analogue of Hulu – a single online-platform for broadcasters through which their content will be distributed on the Internet.

The first stage of the platform development is the unification of the broadcasting infrastructure of project participants. The current player by Perviy Kanal was taken as a basis, as it turned out to be the most developed and universal among the existing analogues. The presence of a single media player simplifies the process of interacting with content distributors on the Internet and simplifies content monetization, since it is less important where this content is located – on the content producer’s website, social network or on someone else’s service.

The second stage in the development of a single online-storefront after the launch of the unified player will be the launch of a library that should accumulate the content of all the TV channels participating in the project.

The plans to create such a unified video player in Russia were reported back in the summer of 2016, then the aforementioned four companies and Gazprom-Media had consultations on the creation of such a project. Back in May 2016, Gazprom Media became a co-owner of the online platform Ruform, combining its video service Rutube with the Internet distributor Pladform (at the moment, Ruform Digital is working on a full technical unification of services to improve their functionality). It also has provided this service exclusive rights for its content, that is why company does not participate in Vitrina TV. However, this does not mean that Gazprom-Media has no plans to create its own online video platform.

In December 2017, Gazprom Media became a co-owner of the online cinema Start, which is oriented for foreign audiences and was launched earlier by the founders of the producer studio Yellow, Black and White. In a number of transactions, Gazprom Media has received 26% of Start Media LLC. And in January 2018 the company returned to the idea of creating its own video resource, a new Internet cinema. According to a Gazprom-Media representative, the new project and Start will not interfere with each other – rather, on the contrary, they will “solve the same task of increasing the culture of digital content consumption”.⁶⁰

60. https://www.rbc.ru/technology_and_media/24/01/2018/5a6790a29a79477f7aec78d6

There have also been published some opinions⁶¹ that Rambler & Co. could launch its own online cinema. The owner of the company Alexander Mamut in the spring of 2017 purchased cinema networks "Cinema Park" and "Formula Kino", and this facilitates negotiations with content distributors to get better conditions for the purchase of digital rights. In the spring as well, Rambler & Co became a co-owner of Dalton Media, which has developed a platform for managing video content Eagle Platform. Yandex and Mail.Ru still prefer to act as partners of existing online cinemas, although have both announced their readiness to produce their own content.

According to Aleksey Byrdin, Head of the Internet Video association⁶², the infrastructure for delivering professional content to the consumer online has already been formed, distribution can be entrusted to existing players, especially since services are ready to give complete statistics of viewership in real-time. The sphere of licensing professional content on the emerging market is also extremely competitive. In his opinion, Internet companies with greater traffic are more advisable to act as content aggregators. And, as a whole, it makes more sense to invest in the measurements of the Internet audience and the unified sales of offline and online ads.

It is worth noting that in both these areas there were some changes in 2017. Big TV Rating from Mediascope has already been mentioned earlier (see the section "Media Measurements"), as for unified advertising sales – in February 2017, the National Advertising Alliance (NRA), Perviy Kanal and the SPB TV online-TV provider presented a new technological platform for the distribution of TV broadcasting in OTT environment, developed by NRA's back office – New Service Company (NSC). It allows to avoid violation of rights when streaming TV content online and to place off-air advertising inside online streaming channels. Gazprom-Media and VGTRK holdings have also expressed their readiness to use NRA's platform, but it is not yet clear whether other OTT services start using it.

61. https://www.rbc.ru/technology_and_media/22/11/2017/5a1453999a79475e74324a9c

62. See https://www.rbc.ru/technology_and_media/25/09/2017/59c8cbc19a7947f74ff15150
[and https://www.rbc.ru/technology_and_media/22/11/2017/5a1453999a79475e74324a9c](https://www.rbc.ru/technology_and_media/22/11/2017/5a1453999a79475e74324a9c)

In the created framework, the broadcaster prepares the content for online distribution and tags it for insertion of ad units, and then transfers it to NRA – the seller places ads in the streaming and delivers the final version of the broadcast to video services. The Alliance will also aggregate the TV viewership data transmitted by OTT platforms. Live broadcast replacement will occur on all types of user devices (desktop, mobile and Smart TV).

According to NRA's analytical center, at the beginning of 2017, 13% of all TV viewers in Russian cities with population of 100 thousand people and more at least once a month received a signal of linear TV channels in OTT environment. As t Anton Petukhov, CTO NSC noted, "this can bring additional money to TV channels. Currently I'm very cautious to say that this decision will expand the TV channels audience receiving personal advertising by 1.5 times and will increase the average number of times ads are shown per session due to the 'big screen' of Smart TV"⁶³, if such a scheme is implemented by the majority of major TV channels and OTT services. For example, Megogo has its own technical solution, the company had previously streamed live broadcast of Perviy Kanal legally and is not going switch to the advertising alliance scheme - at least at the time of the comment in early 2017.

A new player has also entered the segment of online broadcasting of TV content. In March 2017, Yandex launched a TV experiment – on the portal's main page appeared a button "TV online", which broadcasts the content of major TV channels. Partner videos are also shown in special blocks on Yandex.Video and Kinoopisk, the players are also placed on Yandex.Teleprogramma.

*"Video is one of the three big priorities for us, in addition to the Yandex Advertising Network and mobile advertising. We are actively expanding the video advertising network. The monthly increase in the viewing time of the 'TV Online' service is about 40%; the number of partners and advertisers is growing. In future there will be more advertising inventory and opportunities for content monetization. The project development leads to new opportunities for advertisers and publishers, as well as for Yandex"*⁶⁴.

Leonid Savkov, Yandex, for Sostav.ru

63. <http://www.sostav.ru/publication/nra-pomozhet-telekanalam-zarabotat-v-internete-25583.html>

64. <http://www.sostav.ru/publication/leonid-savkov-yandeks-stanet-odnim-iz-topovykh-videoigrokov-v-runete-30386.html>

Yandex actively develops this service and adds new channels. As of May 2018, TV Online provided 75 channels, 19 of them regional.

MARKET SIZE AND STRUCTURE

Market size. As estimated by the market experts, participated in the IAB Russia study for this overview, total video ad revenues (both in-stream and out-stream) in Runet for the full year of 2017 reached RUB 8.3 billion (excluding VAT). According to IAB Russia estimates on Russian digital ad market revenues, it makes 24% of online brand-based advertising and 5% of all digital advertising.

Video Ad Revenues in Russia 2017, by Quarter

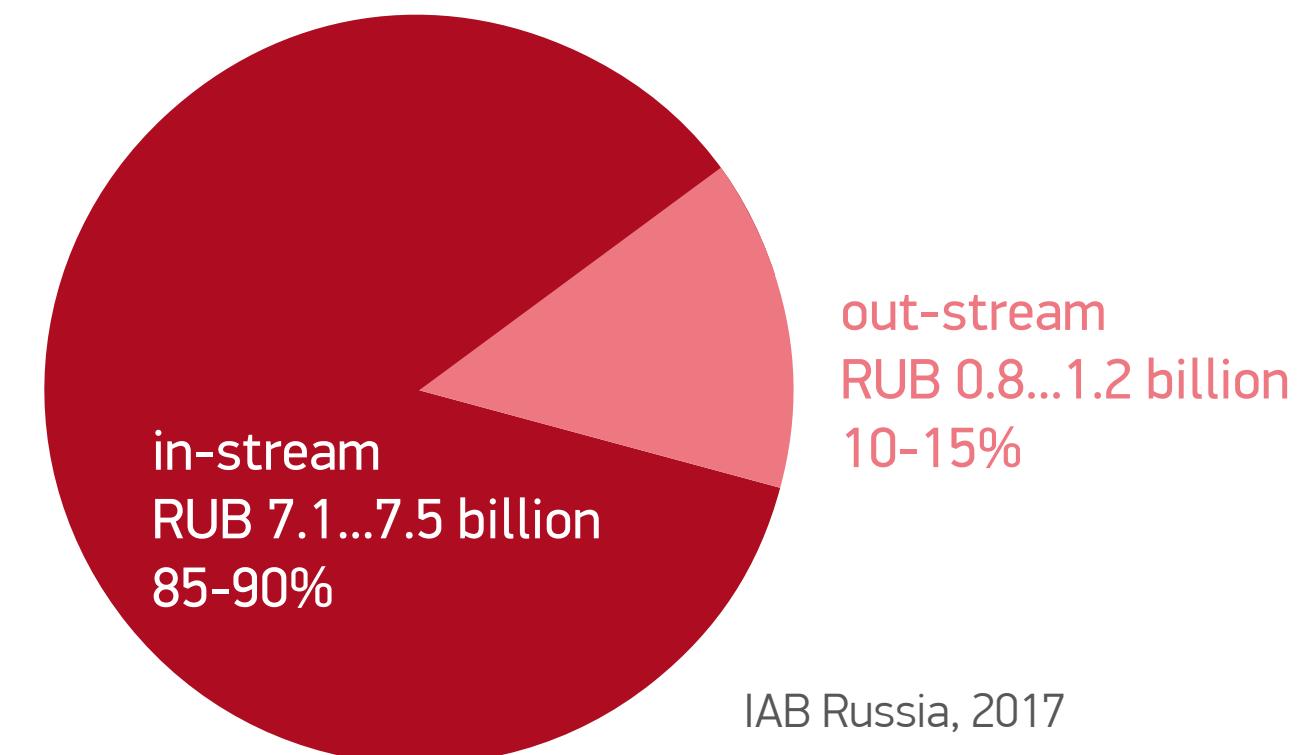
	Ad spend (RUB, bn)	QOQ 2016
Q1 2017	1,7	31%
Q2 2017	1,9	28%
Q3 2017	2,1	20%
Q4 2017	2,6	26%
Total for 2017	8,3	19%

According to RACA⁶⁵ estimates, Russian ad market-2017 in general grew by 14%, and OLV advertising continued being of the fastest growing formats against other market segments and subsegments (Internet +22%, TV +13%, Out-Of-Home +9%, Radio +3%, Press -8%). The growth of video advertising, in general, is associated both with the growth of audience indicators (audience volume and online video viewership time spent), and with the emergence and propagation of tools for measuring and verifying the quality of advertising.

65. http://www.akarussia.ru/knowledge/market_size/id8180

Online Video Ads Revenue by Format in Russia, 2017

Total Revenue: RUB 8.3 billion (excl. VAT)



Within online video market a lion's share of 85-90% (or RUB 7.1-7.5 billion) accounts for in-stream advertising, the remaining 10-15% (RUB 0.8-1.2 billion) – for out-stream ads, be it an ad video inside a banner position (in-banner) or an ad video interrupting an article text (in-read).

Weborama has analyzed 40 billion impressions of OLV advertising in the first half of 2017. 81% of impressions accounted for in-stream, 18% – for in-banner, 1% – for out-stream.

Banner remains the most popular digital format – 73% of advertisers surveyed for IAB Russia “Digital Advertisers Barometer – 2017” use it in their ad campaigns. About the same have also used targeted ads in social networks (71%). Video advertising is used by 55% of respondents, mobile video – by 38%. Video ads are used somewhat more among offline businesses than online companies. By business type, manufacturers use it twice as often as retailers or service providers (78% vs. about 40%). FMCG and tech advertisers use it twice as often as “Finance” and online retailers (also ~80% vs. ~40%).

The majority of experts surveyed by IAB Russia, estimated the share of programmatic in in-stream budgets in 2017 to be around 30-40%, and in out-stream – around 50-70%.

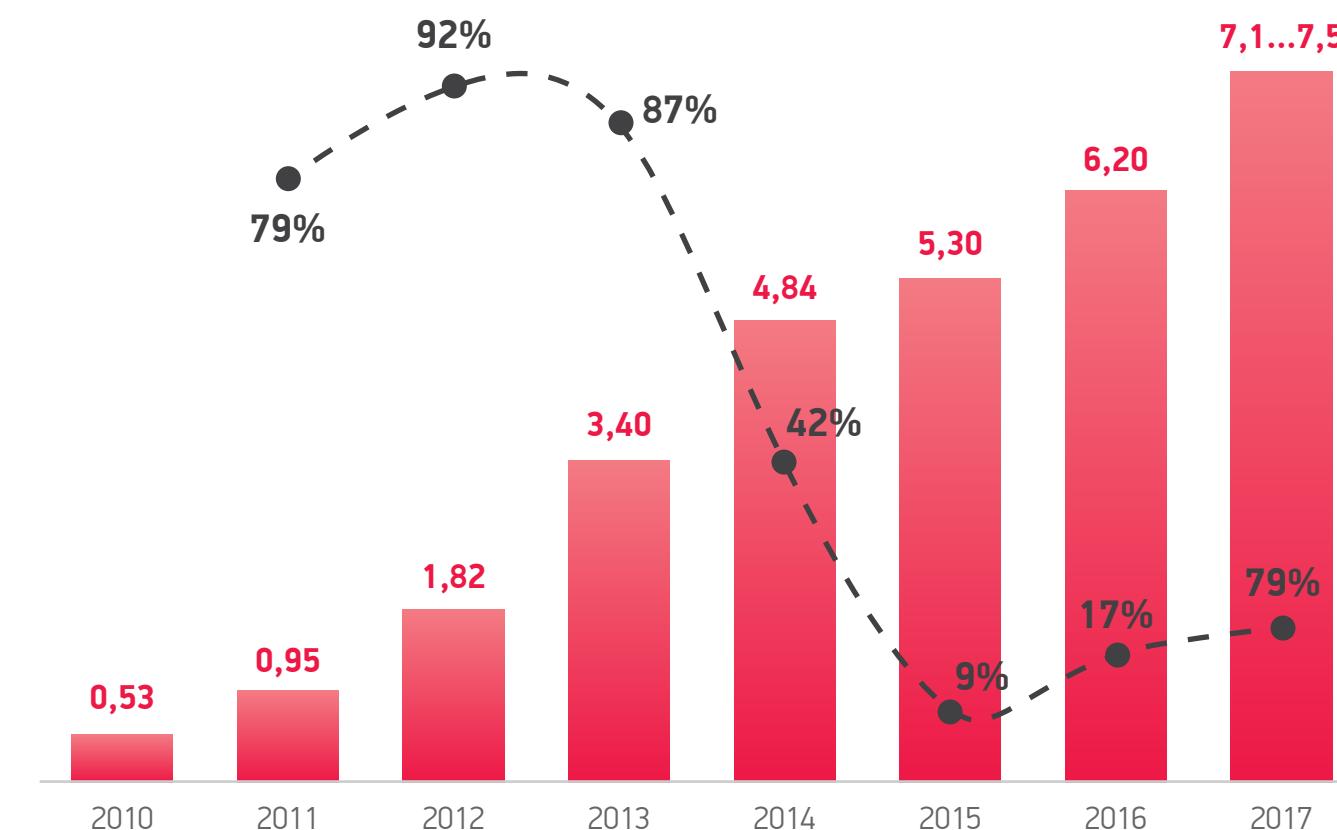
"Trends in the development of the Russian online video market are similar to foreign ones. Due to the technology development in foreign countries, the same trends may have a deeper penetration. For example, verification capabilities in Russia are just being introduced, global players are emerging, and in foreign countries it is easier - more players available, fewer problems with their integration. Big TV in the current shape (when TV is opposed to OLV) is a unique trend".

Elina Vagner, Publicis

IN-STREAM

As estimated by IAB Russia, in-stream video advertising revenues in 2017 totaled RUB 7.1-7.5 billion (excluding VAT), the segment grew by about 20% year-over-year.

In-stream Video Ads Revenue and Growth in Russia (RUB, bn, VAT excluded)
in 2010-2017⁶⁶



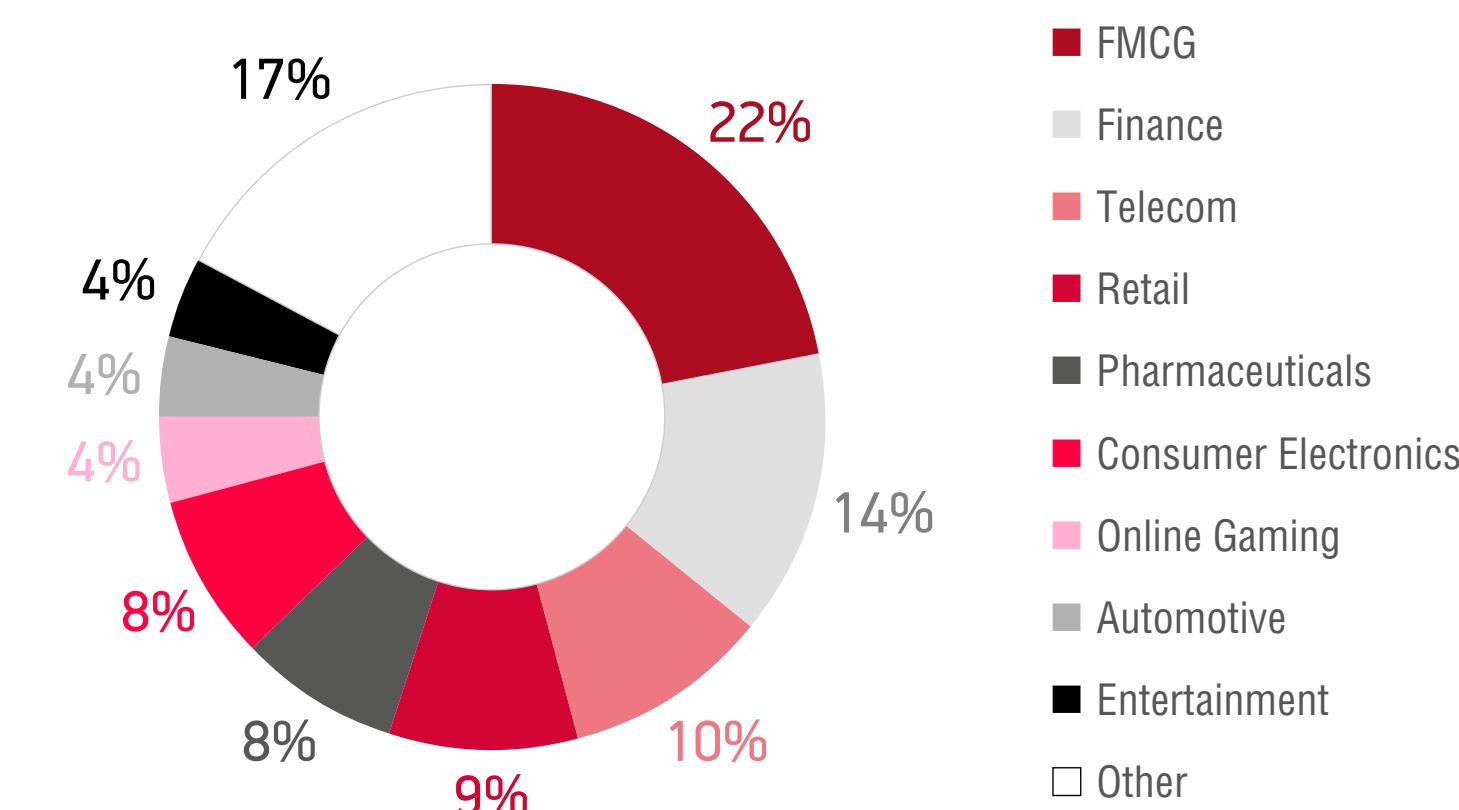
66. IMHO and IAB Russia estimates.

The main sellers of in-stream video advertising in Russia in 2017 are GPMD (that estimates its share to be 40% of the market), IMHO Vi and Google-YouTube.

According to the surveyed experts, the leading in-stream advertiser categories in 2017 were almost the same as a year ago: FMCG, Pharmaceuticals, Automotive (both vendors and dealers), Real Estate, Telecom, Entertainment.

These estimates largely correlate with the video ad views monitoring data by Mediасcope: the leading category by the number of in-stream ad impressions in 2017 was FMCG (22%) – it is also the largest category on TV (30%). A quarter of views in 2017 accounted to Finance and Telecom, whereas on TV these categories account to just 14% of total placements. Consumer Electronics in online video ad structure is more prominent than on TV (8% vs. 3% on TV), as well as Online Gaming (4% vs. 0.2%).

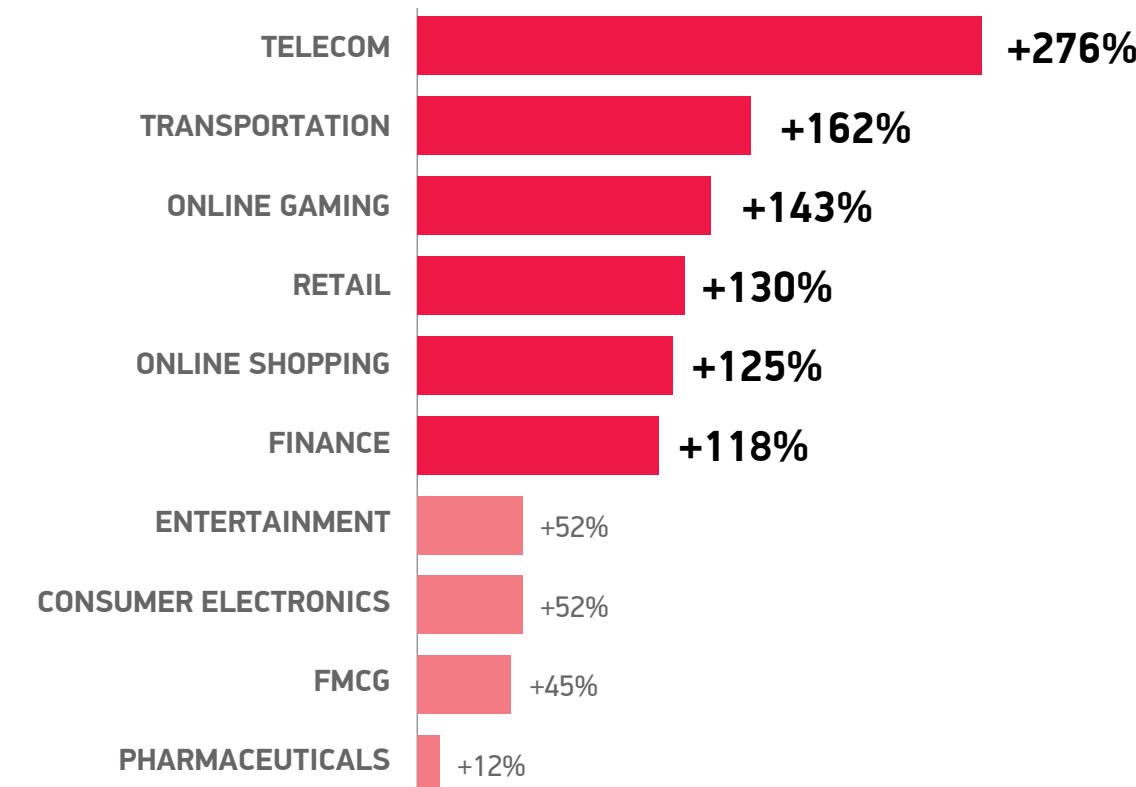
In-stream Video Impressions by Advertiser Category⁶⁷



In a year from Q1 2017 till Q1 2018 the most active growth in terms of share of views showed such categories as Telecom, Transportation, Online Gaming, Retail, Online Shopping, and Finance.

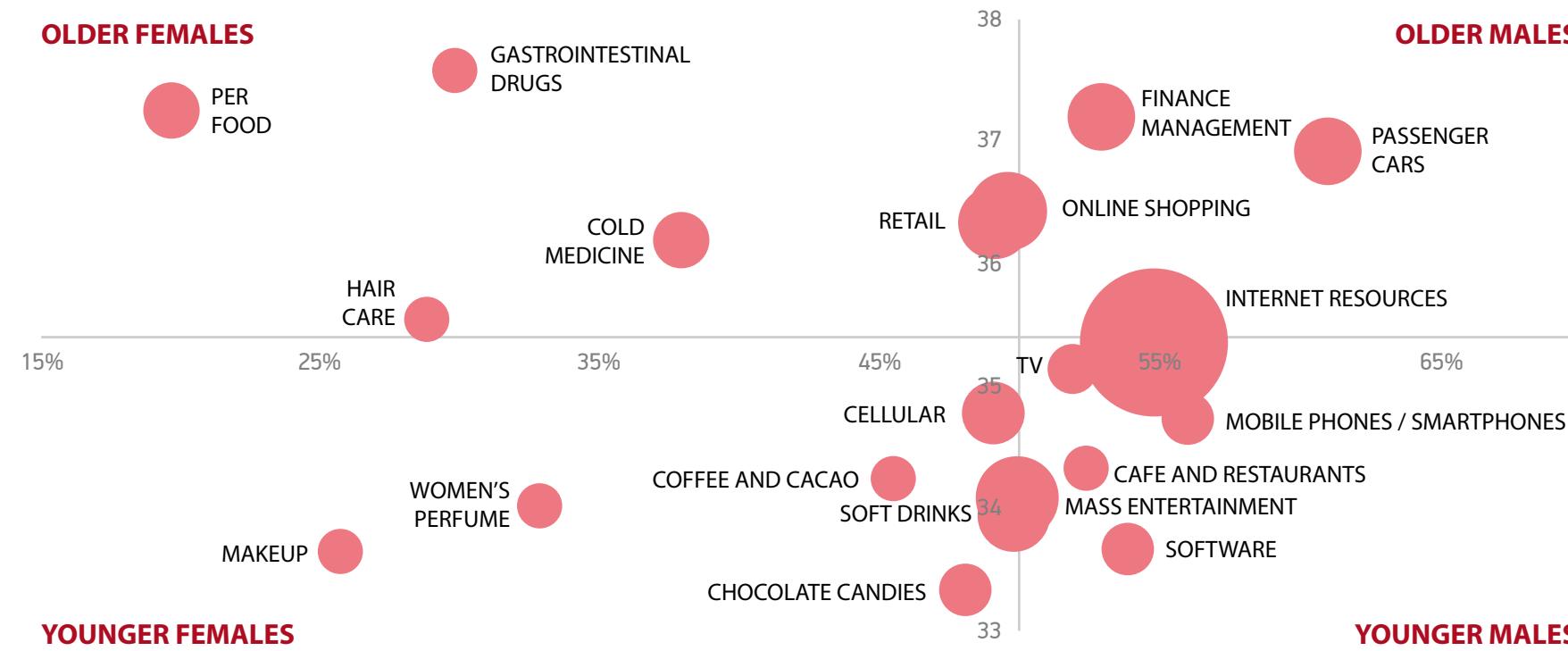
67. Mediасcope, Russia, Impressions, desktop, September 2017. All Sites, Panelists.

In-Stream Video Product Categories Growth by Share of Views⁶⁸



In such product categories as “Financial Management” and “Passenger Cars”, a larger share of views falls on older males, in “Software” and “Mass Entertainment” – on younger males. Younger females tend to watch more of makeup and perfume ads, older females – pet food and gastrointestinal drugs.

TOP-20 Product Categories by In-Stream Video Ad Views⁶⁹



68. Mediascope, Web Index. In-stream: Russia 100k+, All Sites, Desktop, 2017, Share of Views.

69. Mediascope Web Index. In-stream: Russia 100k+, All Sites, Desktop, January – September 2017, Average Monthly Reach, % of Population, 12-64. X Axis – Share of Men, Y Axis – Average Age, Size of Bubble -% OTS.

With a relatively stable video content audience on computers and laptops, the number of in-stream video advertising views in January 2018 on desktop increased 1.6 times vs. January 2017. The number of advertisers remained practically unchanged, i.e. the growth occurred precisely due to the growth in the placement volume on average per advertiser. 72% of advertisers who placed video ads both in January 2017 and in January 2018, have increased their placement volumes.

Top-20 advertisers in 2017 in in-stream video advertising provided more than a third of views, ten of them – the largest TV advertisers (Pepsi Co, Mars-Russia, Procter & Gamble, Unilever, Reckitt Benckiser, etc., which are also included in the top-20 advertisers on TV), four – Internet resources (Mail.ru Group, Google, Azino777.Com, Yandex).

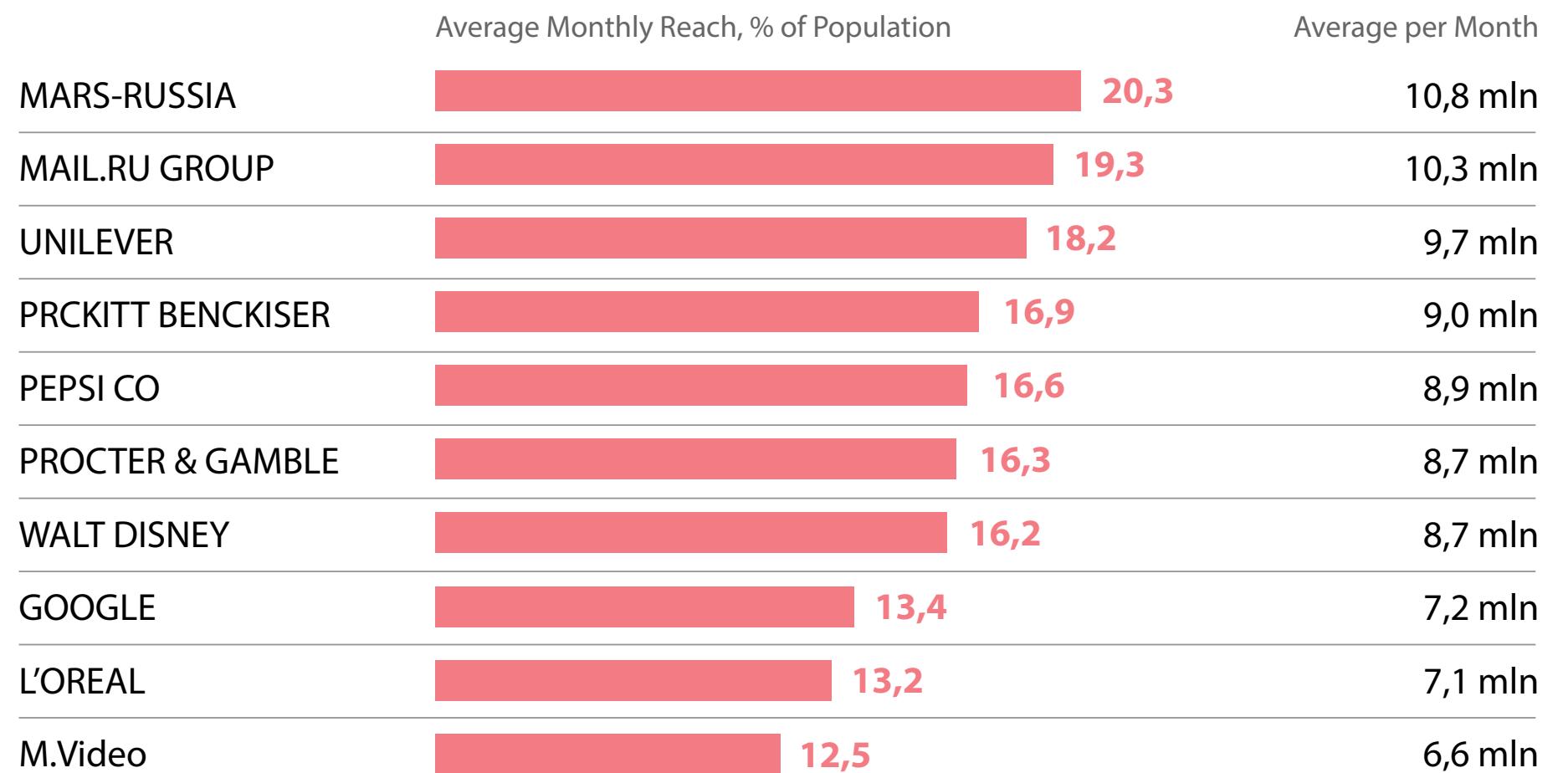
Top-10 In-Stream Video Advertisers⁷⁰

MAIL.RU GROUP	1	GOOGLE	11
PEPSI CO	2	SBERBANK OF RUSSIA	12
MARS-RUSSIA	3	MON'DELEZ INTERNATIONAL	13
PROCTER & GAMBLE	4	AZINO777.COM	14
UNILEVER	5	YANDEX	15
RECKITT BENCKISER	6	COCA-COLA	16
NESTLE	7	TELE 2	17
L'OREAL	8	M.VIDEO	18
OTCPHARM	9	MTC	19
WALT DISNEY	10	SAMSUNG ELECTRONICS	20

Major advertisers by reach are the same, though slightly in a different order: Mars-Russia. Mail.ru Group, Unilever.

70. Mediascope Monitoring, Top-20 Advertisers by Impressions, including self-promo. In-stream Video Advertising, Desktop (Computers and Laptops), Russia 100k+, 12-64, January 2017 – December 2017. Top-20 TV Advertisers are highlighted in bold.

Major In-Stream Advertisers by Reach⁷¹



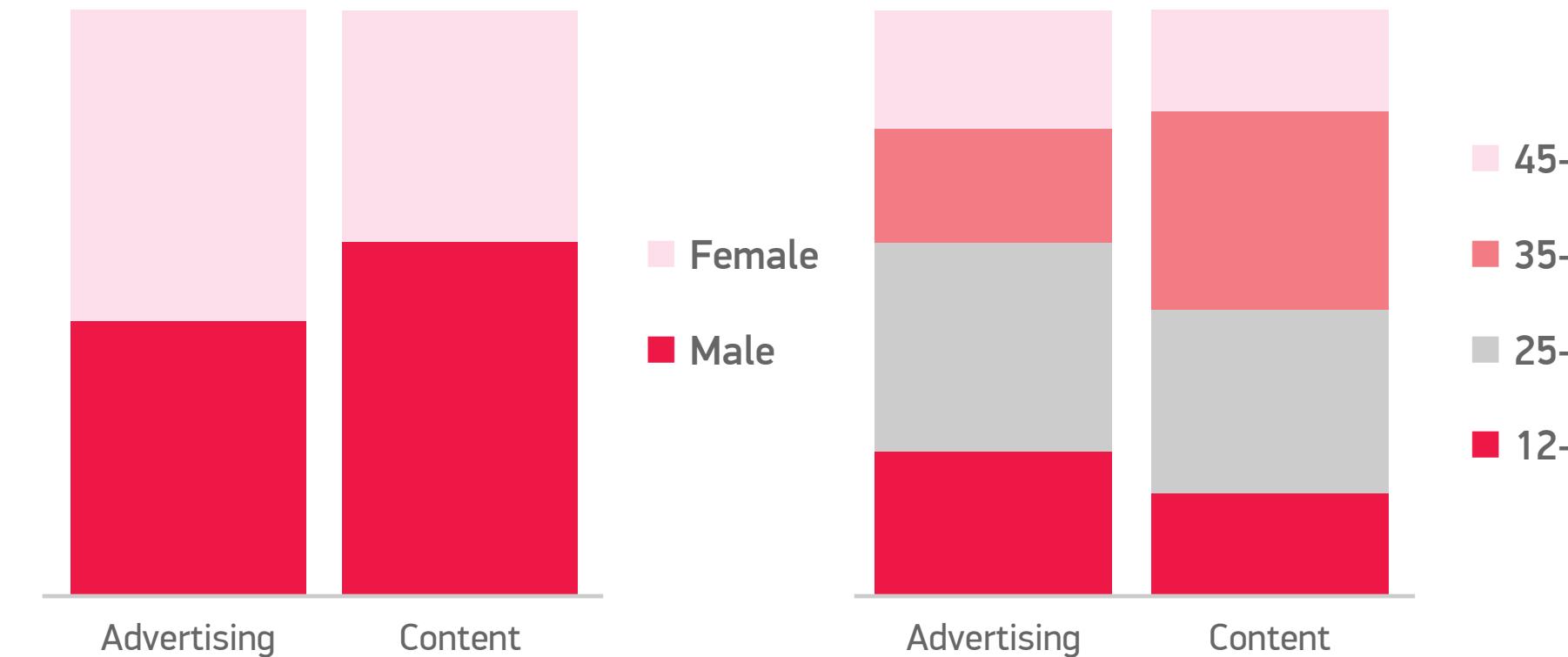
In general, according to Mediascope data, both in Q1 2017 and Q1 2018 570 in-stream advertisers placed such ads, in a year the volume of placement increased by 58%.

Specialized video resources, including the TV channel sites, provided the market with 62% of all video ad views, another 16% fell on social networks, 6% – on portals and 6% – on news resources. The remaining 10% of ad views were made on the sites of other topics, which can be considered a share of monetized video content when embedding the player on various resources.

Mediascope monitoring shows that not all video viewers on the Internet are equally in demand among advertisers. Males account for 61% of viewers, but only 47% of video ads accounts for them. The female audience, on the contrary, is in short supply: 39% of video content views versus 53% of video advertising views. Among the age groups, 35-44-years-olds remain undervalued by advertisers: a third of content views fall on them, although in the structure of advertising views they make up only 19%.

71. Mediascope Web Index. In-stream: Russia 100k+, All Sites, Desktop, January - September 2017, Average Monthly Reach, % of Population, 12-64.

Video Content Views vs. Video Ad Views⁷²



OUT-STREAM

The majority of experts surveyed by IAB Russia estimated out-stream video advertising revenues in 2017 to be in the range of RUB 800 million to RUB 1.2 billion excluding VAT (growth +120-140% vs. 2016).

Advertiser categories in this segment are nearly the same as in in-stream: FMCG, Pharmaceuticals, Auto motive (vendors and dealers) and others. The set of advertiser categories does not differ from the 2016 estimates.

Among the major out-stream publishers and networks were named Mail.ru Group social networks, RBC, Yandex.Direct, Rambler, Buzzoola, NATIVEROLL.TV, online media (Kommersant.ru, Cosmo.ru).

Inside the out-stream segment, there are currently such video formats as in-banner / in-page, in-read / read-roll, fly-roll. In-banner remains the most popular so far.

72. Mediascope Monitoring, Share of Views in the Target Group, In-Stream Video Ads, Players (Content), Russia 100k+, desktop, September 2017, 12-64

According to IMHO, the share of the read-roll format is “catastrophically small and barely reaches 6-7% [of the entire video advertising market]”⁷³. However, in terms of its share of the out-stream segment, it turns out to make impressive two-thirds.

“Out-stream video advertising in foreign markets grew faster than in Russia. Attention to the quality of ad inventory, transparency of placement, brand safety in foreign countries also grew much more dynamically than in Russia, both in-stream and out-stream placements”.

Anton Beschekov, NATIVEROLL.TV

“Out-stream requires the use of a certain creative for quality views, but it is cheaper to build reach and has a greater guarantee of brand safety”.

Irina Gushchina, OMD Optimum Media

When comparing in-stream and out-stream formats, experts surveyed by IAB Russia say that, as a rule, out-stream shows itself better in such a metric as visibility but loses to in-stream in depth of viewing. Therefore, relatively long videos, where sound and depth of viewing as KPI are important, are undesirable for out-stream – short videos (up to 10 seconds) are more effective.

FORECASTS

The general feeling of market experts is the same as a year ago: video advertising will show better dynamics compared to banner ads and so to display segment on the whole. **The majority of growth rate estimates for video advertising (in-stream + out-stream) in 2018 are in the range of 20% to 25%**. According to Alexei Belyaev, Vice-President and Chairman of the Industry Research Committee of IAB Russia, video

73. <https://www.cossa.ru/news/173870/>

advertising in 2018 is expected to increase significantly not because of the low base, as before, but due to the large amount of inventory and the growing interest of advertisers.

According to the advertisers, surveyed for IAB Russia study “Digital Advertisers Barometer – 2017”, digital video is the most growing advertising tool. While in surveys from 2014-2016 high growth potential was shown by various performance-based marketing tools and mobile advertising, in 2017 the advertisers’ focus shifted to video and entertainment. The largest increase in the share is projected for video (both for desktop and mobile) and in-game advertising (more than 80% of those who currently use the tool plan to increase its share in their budgets). CPA video is potentially the most growing new advertising tool – while in 2017 it was used by 22% of advertisers, 49% of respondents said that they could start using it next year.

The majority of experts estimate that in 2018 in-stream ad revenues will rise by 20%. As for out-stream, its growth in 2018 is estimated to be even more: +40%-50%.

If to consider only in-stream video advertising in online cinemas and video services, then in 2017, according to the preliminary estimate by TMT Consulting⁷⁴, its volume totaled RUB 3.4 billion (growth +49% vs. 2016). This is more than paid services revenues (RUB 2.9 billion, growth +16%). By 2021, according to the company’s forecasts, the balance will shift, and user payments will already provide two-thirds of video services revenues: RUB 7.4 billion versus RUB 4 billion advertising revenues. At the same time, experts interviewed by IAB Russia believe that the growth in the use of the paid model does not threaten to reduce investment in advertising: from the point of view of the advertising industry, both business models work and develop independently. Some experts are skeptical about TMT Consulting’s forecast and, at least in the short term, do not see a situation where the amount of money in paid business model exceeds the ad-supported.

74. https://www.rbc.ru/technology_and_media/22/11/2017/5a1453999a79475e74324a9c

“In Russia, this trend is not significant. The audience that prefers the paid model will be available on free inventory as well, and the inventory available for advertising will grow substantially faster than the video on the paid model”.

Andrey Molev, AMNET

“Paid and ad-supported models continue to co-exist in parallel and impact very little on each other. It’s just a matter of choosing a company’s commercial strategy. There are no risks for the ad-supported model in the Russian realities because of the peculiarities of the Russian mentality”.

Sergey Lashenko, BeGroup

“From a market perspective, both models evolve independently. The advertiser will not decide to increase and reduce advertising budgets in digital because of a user buying more or fewer subscriptions”.

Viktor Chekanov, MEGOGO

“The growth of paid subscription continues, but in Russia it is unlikely to expect the prevalence of this model over free one, because as a whole the population remains unprepared to pay for high-quality content. Also, in the minds of consumers, pirated content continues to be acceptable and normal”.

Irina Gushchina, OMD Optimum Media

“Paid model in Russia is currently stable only for online cinemas. In the West, however, many analytical media are already moving to paid subscription. There is some impact on the ad-supported model is, but it is inessential, just these placements are shifted into other channels”.

Sergey Soloviev, Videonow

The experts, surveyed by IAB Russia, agree that Russian digital video advertising market is developing in a similar way to Western ones, but some of its peculiarities are unique, and in certain segments and technologies it is still lagging one to three years behind.

“The Russian market, as before, is repeating foreign trends with a slight delay. In 2018, we do not expect differences in trends. We are waiting for the advertisers to be active in the personalization of video advertising across all channels”.

Alexander Maizelis, ADV Lab

“American market of video publishers and producers has been already formed. In Russia, this formation is still going, and ways of mutually beneficial cooperation are being sought. This affects the distribution of advertising budgets, the search for new advertising products. Russia, strangely enough, is a more technological country – we have more competition among online providers, better bandwidth, therefore there are more opportunities for online video as heavy content. At the same time, our audience is spoiled with quality and at the same time free content. We work in more difficult, but interesting conditions”.

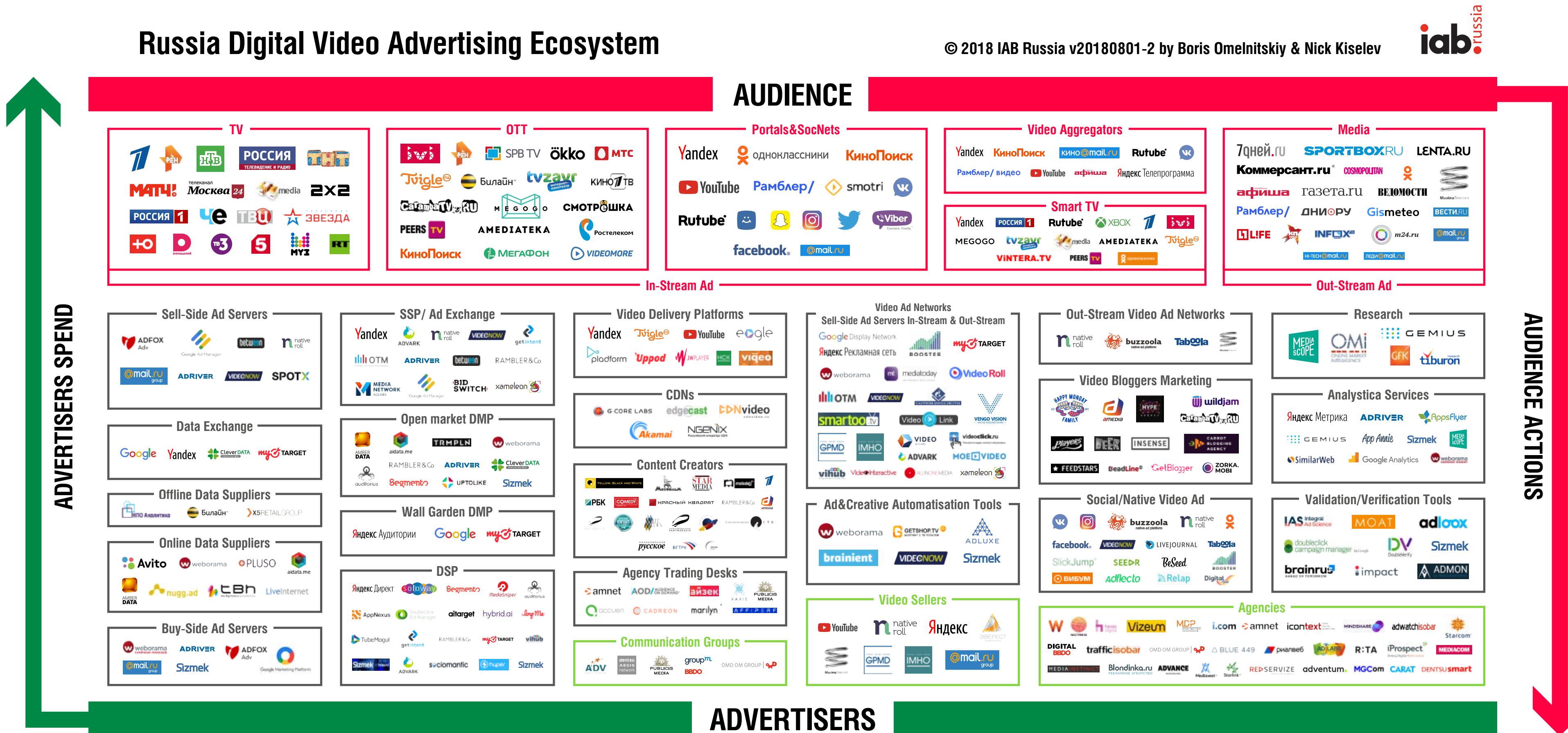
Irina Skripnikova, Yandex

APPENDIX 1.

RUSSIAN VIDEO AD ECOSYSTEM

Russia Digital Video Advertising Ecosystem

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APPENDIX 2. RUSSIAN VIDEO AD MARKET PLAYERS

AGENCIES, SALES HOUSES, RESELLERS AND AD NETWORKS



ADLABS is a performance marketing agency with a long tradition.

<http://www.adlabs.ru/doc/adspromo/>



Aitarget is the only reseller of Facebook in Russia and a marketing partner of Instagram. Company's activity is focused on mobile advertising, including social video. It works with its own DMP Aidata.me.

<http://www.aitarget.ru/>



Blondinka.ru is one of the leading search ad agencies in Russia, that is focused on performance advertising. It manages two ad platforms Marilyn (for major advertisers) and Aori (aggregator for SMB), that allow to managing YouTube video campaigns among other formats.

<http://blondinka.ru/>



Buzzoola is a native advertising company that delivers scale, engagement and hyper-transparency with a cost-per-view format. Buzzoola Native AdExchange is the platform for creating advertising campaigns with native video and other display advertising formats.

<https://buzzoola.com/en/>

DIGITAL BBDO

Digital BBDO specializes in solutions development and implementation for effective brand presence in digital communication channels. The key task of the agency is to propose digital communication that will solve client business challenges. The agency is a part of the Media Direction Group (BBDO Group Holding).

<http://bbdogroup.ru/eng/about/agency/digitalbbdo/>



The Everest Sales advertising agency was established in the fall of 2010 and is responsible for selling the advertising inventory on four of CTC Media Russian channels, namely CTC, Domashniy, Che and CTC Love, and online video assets: videomore.ru, domashniy.ru, ctc.ru, chetv.tu, ctclove.ru.

<http://www.everest-sales.ru/>



Gazprom Media Digital (GPMD) is the biggest seller of video commercials on Runet. The company was created in the fall of 2011 and since January 1, 2012 has been offering advertisers the opportunity to post video commercials on leading Runet video resources.

<http://gpm-digital.com/>

Google Display Network

The Google Display Network comprises a variety of sites, blogs and other niche sites across the internet, as well as Google resources, in particular, Gmail and YouTube. GDN offers text, image, interactive and video ads, different targeting settings are available.

<https://www.google.com/ads/displaynetwork/>



IMHO (subsidiary of NSC) is the largest seller of display advertising in Runet. It exclusively sells ad inventory on more than 35 online portals, digital media and thematic sites, as well as their mobile versions and applications. It manages its own large video ad network that comprises resources with fully professional, legal and high-quality content.

<http://imho.ru>



Mediatoday is a multiformat ad network that offers such products as "video click", "video interactive" and "video roll". VideoRoll is an ad network, offering ad videos placement inside websites video content. The network comprises several dozen sites with total monthly traffic exceeding 20 million views. The main partner is Gazprom-Media Digital (GPMD).

<http://videoroll.mediadaily.ru/>



myTarget is an advertising platform provided by Mail.Ru Group. It includes all the major social networks on the Runet (Russian-speaking internet) and services that reach more than 140 million people.

<https://target.my.com/>



NATIVEROLL.TV is an innovative platform for placing out-stream video ads in premium content. It is developed with technical support from Seedr (video distribution service).

<http://nativeroll.tv/>



Publicis Media is one of the four solutions hubs of Publicis Groupe, alongside Publicis Communications, Publicis.Sapient and Publicis Healthcare. Led by Steve King, CEO, Publicis Media is powered by its four global brands, Starcom, Zenith, Mediavest | Spark and Optimedia | Blue 449, and supported by its digital-first, data-driven Global Practices which together deliver client value and business transformation. Publicis Media is committed to helping its clients navigate the modern media landscape and is present in more than 100 countries with over 13,500 employees worldwide.

<http://www.publicisgroupe.com/>



Vengo Vision is a premium cross-media native video network, part of Vengo Group. The main advantages are the capability of bundling ad deals with mobile premium network iVengo Mobile, vast reach due to the combination of popular federal media, unique formats, as well as the use of the data from DMP Vengo Consult – a platform for mobile and desktop surveys, that allows to target advertising for narrow audience segments.

<http://vengovision.ru/>



Videonow is the first video ad network in Russia, launched in 2008. In 2015 the network presented its own free SSP, that increases return on every video view due to the daisy chaining of several ad suppliers.

<http://videonow.ru/>



Yandex Video Network comprises the main Russian-language movie service KinoPoisk as well as other resources in Yandex Display Network and partner sites of YAN (Yandex Ad Network). Yandex offers to advertisers in-stream (multi-roll), out-stream (in-page, in-banner), cross-platform (desktop web, mobile web, mobile apps, smart TV) and cross-media (video, audio) formats with unified targeting, social-demographical characteristics and frequency capping. Ad buying can be done on the fixed price or auction-based (pay per views or completed views).

https://advertising.yandex.ru/media/banner/videoweb_yandex.xml

VIDEO PORTALS AND SOCIAL NETWORKS



KinoPoisk is the largest movie portal for Russian-speaking audience, where users can find information about movies and series and exchange opinions. In 2013 was acquired by Yandex. In fall of 2015 a separate section "KinoPoisk+" was launched – online cinema aggregator.

<http://www.kinopoisk.ru/>



Mail.ru Group owns the largest Russian social networks "Vkontakte" (Vk.com), "Odnoklassniki" (Ok.ru) and Moy Mir (My World). Video contents and its monetization is of great importance in all of these projects. Video ads are shown both in-stream and in social newsfeeds (with autoplay). Ads are placed through myTarget ad platform.

One of Mail.ru portal's services – Afisha@Mail.ru – is, on the one hand, TV guide and entertainment guide for big cities and, on the other hand, movies, series and TV shows aggregator from online cinemas (both ad-supported and paid).

<https://corp.mail.ru/ru/company/social/>, <https://afisha.mail.ru/>

RAMBLER&Co

Rambler&Co is a Russian group of company that specializes in media and IT. One of the main resources is Rambler.ru portal, which section – "Rambler. Video" is a curated video catalog from various sources, that offers "Snapshot of the Day" personalized for every user. In 2015 Rambler&Co also launched its own video production studio.

Another asset – "Afisha" – has a movie guide and live broadcasting of art events. "Afisha. Serialy" ("Afisha. Series") is the largest in Russia legal online aggregator of series (both paid and ad-supported models).

<https://video.rambler.ru>, [http://show.afisha.ru/](http://show.afisha.ru)



RBC is a leading Russian multimedia holding. It operates in internet, television and print media segments. RBC occupies leadership positions in news and business media as well as in domain name registration and hosting. Online properties actively develop in-text video ad format.

[http://www.rbc.ru/](http://www.rbc.ru)

Rutube

Rutube is one of the leading internet companies, that comprises a major Russian video portal and a platform of content distribution. Rutube is a part of Gazprom-media holding, ad inventory is sold through GPMD.

<https://rutube.ru>



YouTube is the largest video portal both globally and in Russia, was launched in 2005 and soon after that acquired by Google. It contains professional video content as well as user-generated videos and actively develops video blogging. It offers various types of ad formats, including skippable pre-rolls. Ad inventory is sold partly through IMHO Vi, partly in-house.

<https://www.youtube.com/>

ONLINE CINEMAS



ivi is a Russian media company, that develops online projects with legal professional content. Among the projects are the largest in Russia (in terms of audience and video catalog) online cinema ivi.ru, the first in Runet personalized service with video channels music.ivi, video service for kids deti.ivi and the online media "Titre" with news and articles about movies and series, that are based on the service's statistics.

Since the end of 2015 ivi.ru is available not only in Russia but in CIS countries as well. It utilized two business models: selling ads in free movies catalog and selling content of premium service ivi+. Advertising is sold in-house and through IMHO Vi.

<http://www.ivi.ru/>



MEGOGO is the world's largest multiscreen video service for Russian speaking audience, that is available in 15 Post-Soviet countries. In the end of 2014 it launched a new product MEGOGO TV – a new format of online TV broadcasting (both popular TV channels and its own interactive ones), available as the single platform on any screen.

<http://megogo.net/>



Molodejj.tv is a project by Yellow, Black and White studio (video production and distribution). The portal offers the access to online viewership of YBW content and YBW TV – exclusive videos from making of Yellow, Black and White content.

<http://molodejj.tv/>



Tvigle.ru is one the first Russian online video services with 100% legal content. It comprises cloud video distribution platform, vast affiliate network, mobile apps for Android and OS and smart TV apps.

<http://www.tvigle.ru/>



TVzavr is one of the major Russian online cinemas, launched in 2010. Utilized both free and paid (TVOD) model, advertising is sold through IMHO Vi.

<https://www.tvzavr.ru/>



Videomore is the first Social TV Network in Russia. The site combines all the advantages of a professional video portal with those of a social network. The portal offers content (including catch up) from three Russian CTC Media channels, namely CTC, Domashny and Peretz.

<http://videomore.ru/>

TECHNOLOGIES



AdRiver started operating in 2011 and over this time has become a recognized leader in the Russian market of technological solutions in the field of internet advertising. AdRiver software provides more than 2 billion hits daily. Today AdRiver has the possibility of selling advertising inventory via AdRiver SSP on any auction model (open, private, direct deal).

<http://www.adriver.ru/>



Advark allows webmasters to fully monetize their video and website traffic and helps advertisers access their target audience across hundreds of websites. Advertising is available across desktop and mobile, domestic and international traffic, using a variety of in-player and near-player video advertising formats.

<https://advarkads.com/>



Aidata.me offers its DMP solutions for smarter audience buying to all players of RTB market. Aidata.me aggregates, processes, segments and delivers data about age, gender, interests and intents of more than 1,000,000,000 unique cookies per month.

<http://www.aidata.me/>



Aori is an ad aggregator. Through a simple personal cabinet Aori you can easily and quickly place ads, compare the effectiveness of ads and choose those that bring you more profit for less money.

<https://aori.ru>



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Between Exchange (BetweenX) is an independent advertising platform that gives the opportunity for brands and agencies to plan, buy, measure and optimize their media programmatic buying. The company is founded by merging four leading players on the programmatic market: Between Digital, ViHub, RTB-Media and Intency.

<http://betweenx.com/>



D.C.A. Data-Centric Alliance comprises several RTB-products for the Russian market: Exebid DSP, Spicy SSP, FACETz DMP. The proprietary DMP accumulates data about online audience for providing extended socio-demographical and behavioral targeting. Exebid offers audience taxonomy on more than 700 segments.

<http://dca.ru/>



DoubleClick Bid Manager is DSP by Google, which provides a real-time control of media purchasing and video advertising on RTB model. Google DBM works with major RTB-exchanges in the world (DoubleClick Ad Exchange, AppNexus, FBX, MoPub, etc.).

<https://www.doubleclickbygoogle.com/>



Eagle.Platform is an online video platform by Dulton Media for video content management and monetization, from video section on the site to large UGC video portal.

<http://eagleplatform.com/>



Marilyn is an effective platform for managing Internet marketing and business processes of advertising agencies. Marilyn is an add-on to ad platforms for large advertisers and agencies. No need to transfer your advertising campaigns or change the scheme of payouts with publishers, just give Marilyn access to ad accounts. It is safe and confidential. Marylin manages advertising, prepares statistical reports and books ad placements.

<https://mymarilyn.ru/>



Pladform is the largest Russian ecosystem for video content management (publishing, distribution and monetization). In 2016 Pladform is planned to be merged with Rutube, possible under the name of Ruform. The exclusive ad selling partner is GPMD.

<https://pladform.ru/>

Segmento

Segmento is an ad platform that targets display advertising (banners, video, mobile) using offline and online data. It works on the RuTarget technological stack, since 2015 is a part of Sberbank Group.

www.segmento.ru



SPB TV is a provider of OTT, IPTV and mobile TV solutions for broadcasting TV and video content on various screens, be it cellphones, tablets, desktop computers or TV sets. Its own B2C TV apps is available on any platform. Linear TV and VOD is accessible both free and on a paid model.

<http://spbtv.com/>



Soloway is an operator of selective advertising that offers RTB-solutions for platforms (SSP AdRiver), and for advertisers (DSP and DMP). Over the years Soloway gathered a large network of internet websites, and now offers auction-based ad buying. Soloway provides both internal and open auctions, collaborating with other SSPs on the Russian market.

www.soloway.ru



Weborama is a kingfish of European audience data market. It has the full stack of tech solutions and expertise for using data in marketing: its own DMP, ad server and display audit system, interactive technologies. In Russia the company operates since 2012 and collaborates with leading advertisers, agency groups and publishers.

<http://www.weborama.com/>



Xaxis is the world's largest technology platform, working in the field of programmatic buying and ad buying in digital media. Xaxis Russia is part of GroupM Russia, the leading global media holding.

<http://www.xaxis.com/>

ABOUT IAB RUSSIA

The Interactive Advertising Bureau (IAB) Russia

A non-commercial partnership for interactive advertising promotion, a part of an international IAB association. The main objective is to grow and develop interactive advertising market. IAB successfully operates in 41 countries on 5 continents.

Priority areas of The Interactive Advertising Bureau (IAB) Russia are the following:

- Educational activities;
- Formation of industry standards, guidelines and glossaries;
- Organizing industrial events, including MIXX Conference and MIXX Awards;
- Conducting research in the field of online advertising, considering international methodologies and best practices

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