FreeWheel
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1H 2023

VIDEO MARKETPLACE REPORT

THE GROWTH OF HYBRID VIDEO ON DEMAND

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The FreeWheel Video Marketplace Report (VMR) highlights the changing dynamics of how enterprise-class content owners and distributors are monetizing premium digital video content.

The data set used for this report is one of the largest available on the usage and monetization of professional, rights-managed ad-supported video content worldwide and is based on aggregated advertising data collected through the FreeWheel platform.

In this edition of the VMR, we explore video advertising trends for the first half of 2023 (1H 2023). This report includes findings that build on the insights unveiled in the previous VMR (2H 2022) and will include new insights for the United States (U.S.) and Europe (EUR).*

#FreeWheelVMR

**European countries included: Belgium, Estonia, Finland, France, Germany, Italy, Latvia, Lithuania, Netherlands, Spain, Nordics, and the United Kingdom*

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INTRODUCTION

Publisher and consumer needs have converged to create a new age of premium video, with ad-supported video on demand (AVOD) platforms growing to complement subscription video on demand (SVOD). Publishers are now prioritizing revenue growth and profitability rather than focusing heavily on subscriber growth. Simultaneously, many consumers are looking to keep household streaming costs manageable as they add services. The result? An increase in ad-supported subscription tiers.

This mixed approach is called hybrid video on demand (HVOD), a new industry term for how consumers are engaging with premium video. HVOD describes video on demand platforms that have a mix of offers – usually including a discounted subscription tier that contains ad-supported content as well as paid/free offers, with/without subscription fees. As subscription services expand the use of advertising, publishers must look toward creating optimal viewer experiences across devices and content types.

This season's Video Marketplace Report explores topics important to today's premium video ecosystem, including ad view growth in both the United States and Europe, the impact of screen size on viewer experience, a snapshot of programmatic transactions, as well as a glimpse into how FreeWheel's new Viewer Experience Lab can help bolster future consumer-focused insights.

KEY TAKEAWAYS

As HVOD Grows, Advertising Remains Core

1. **BUSINESS MODELS ARE EVOLVING:** Hybrid video on demand (HVOD) services are becoming more prevalent in the shift toward a more financially sustainable approach to the streaming business.
2. **AD VIEWERSHIP CONTINUES TO GROW:** Ad view growth has increased at a healthy rate in both the U.S. (6%) and EUR (15%) during a time of industry-wide change.
3. **VIEWER EXPERIENCE REMAINS ESSENTIAL:** Optimization of the viewer experience is of increasing importance, as audiences are inundated with choices.
4. **SCREEN SIZE MATTERS:** 81% of U.S. and 53% of EUR ad views occur on large screens.
5. **PRECISION WILL HELP FUEL ENGAGEMENT:** Targeting based on audience characteristics (behavioral, demographic) has expanded +80% year-over-year (YOY) in the U.S.

AD GROWTH PERSISTS

During the first half of 2023, both the U.S. and EUR had healthy ad view growth on premium video. Holistically, the U.S. and EUR experienced 9% YOY growth, with EUR, once again, seeing growth in the double-digits. This increase continues the overall upward trend in ad views seen over the past four years.

CHART 1

AD VIEW GROWTH

Download

1H 2022 vs. 1H 2023

United States	Europe	U.S. + EUR
+6% YOY	+15% YOY	+9% YOY

Source: FreeWheel Video Marketplace Report, 1H 2023. The Growth of Hybrid Video On Demand.

WHERE AUDIENCES ARE WATCHING

Audiences in the U.S. and EUR have significantly different habits when choosing devices to watch ad-supported content. Large-screen viewing through CTV and STB platforms makes up 81% of ad views by U.S. audiences. In EUR, audiences are more balanced when choosing between large (53%) versus small screens (47%).

Determining the optimal viewer experience for different types of devices is something premium publishers carefully consider. Content streaming on mobile devices is often where publishers craft specific ad choreographies to keep viewers engaged, while larger screens allow for more flexibility in number of commercial breaks and number of ads within a single break.

CHART 2

AD VIEW COMPOSITION BY DEVICE

1H 2023

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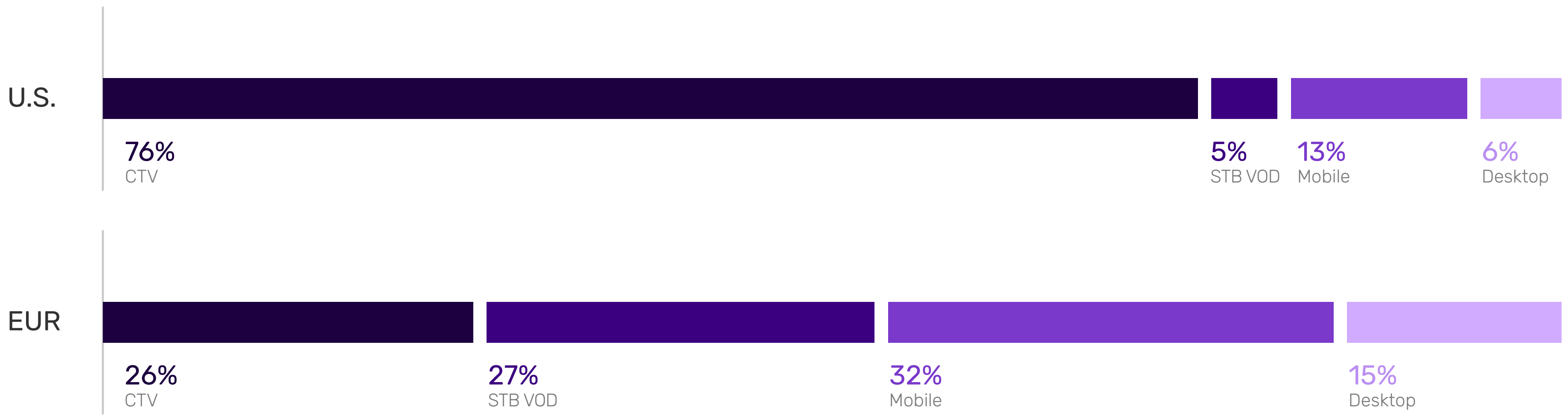

Source: FreeWheel Video Marketplace Report, 1H 2023. The Growth of Hybrid Video On Demand.

CHART 3

AD COMPOSITION BY CTV DEVICE

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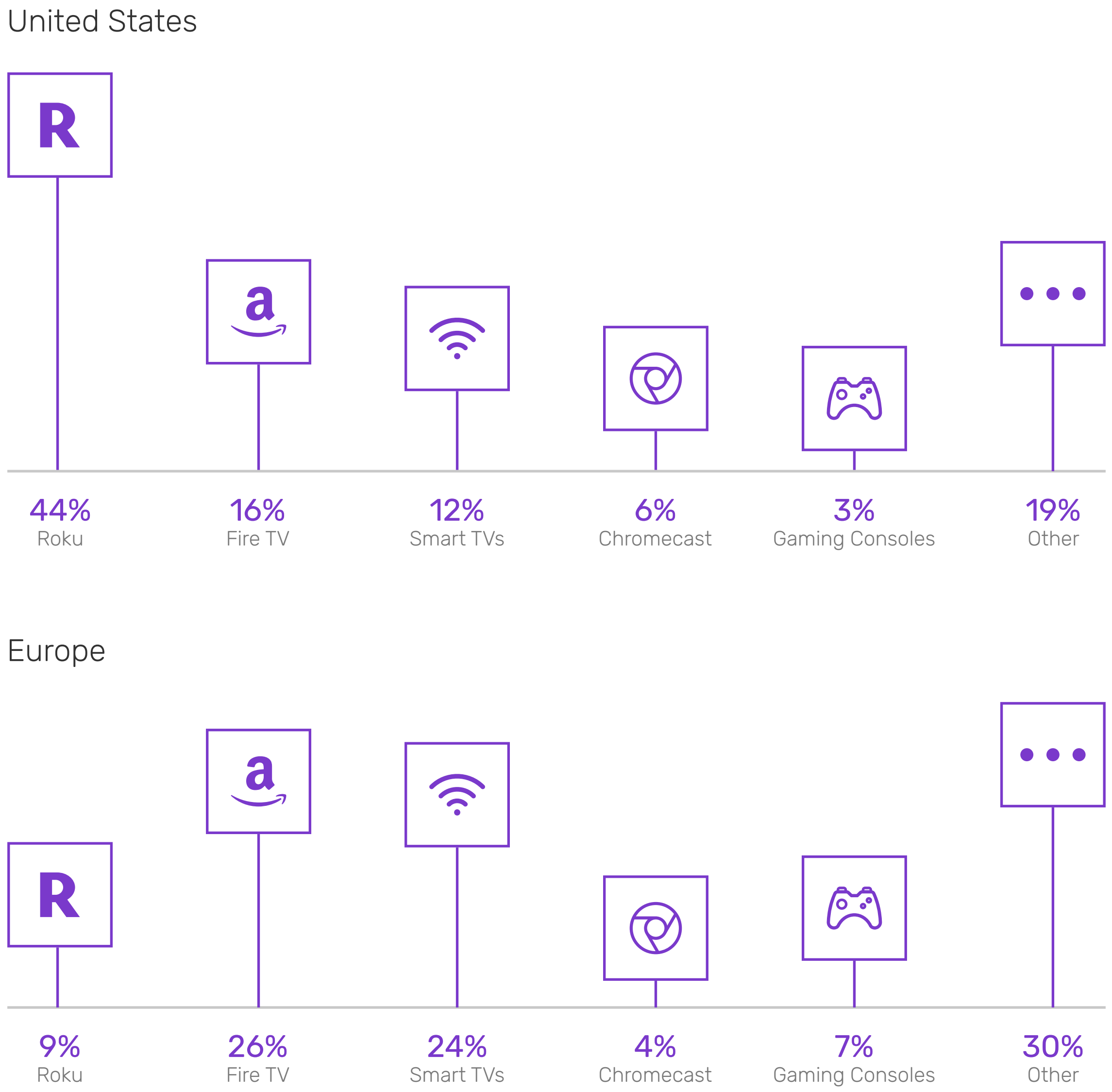

Source: FreeWheel Video Marketplace Report, 1H 2023. The Growth of Hybrid Video On Demand.

CHART 4

CTV AND MOBILE AD VIEW GROWTH

1H 2023

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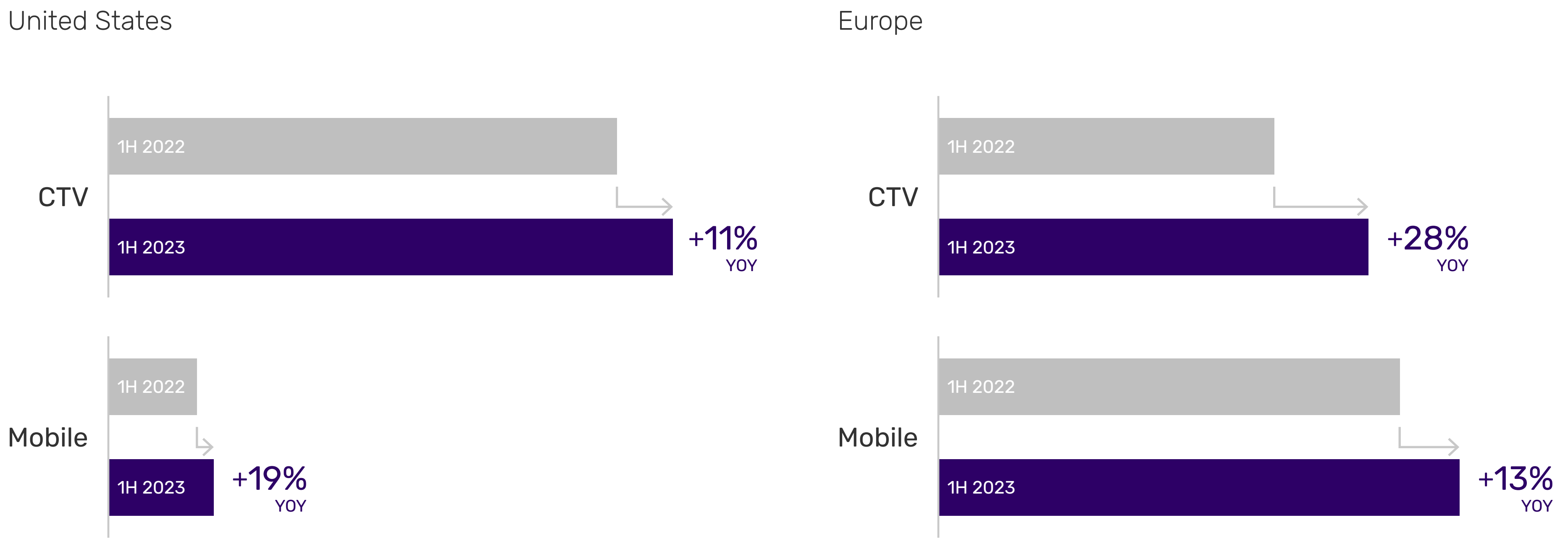

DEEP DIVE INTO CTV AND MOBILE GROWTH

Regardless of screen size preference, the U.S. and EUR have both seen CTV and mobile grow by double-digits YOY.

Source: FreeWheel Video Marketplace Report, 1H 2023. The Growth of Hybrid Video On Demand.

Distribution Breakdown

TV Everywhere or TVE (authenticated streaming services accompanying a cable/satellite subscription) remains the most common distribution platform type in both the U.S. and EUR. However, differences in distribution platform usage between these geographic regions persist. This is primarily due to EUR's (France in particular) significant use of STB devices.

CHART 5

AD VIEWS BY DISTRIBUTION PLATFORM

1H 2023

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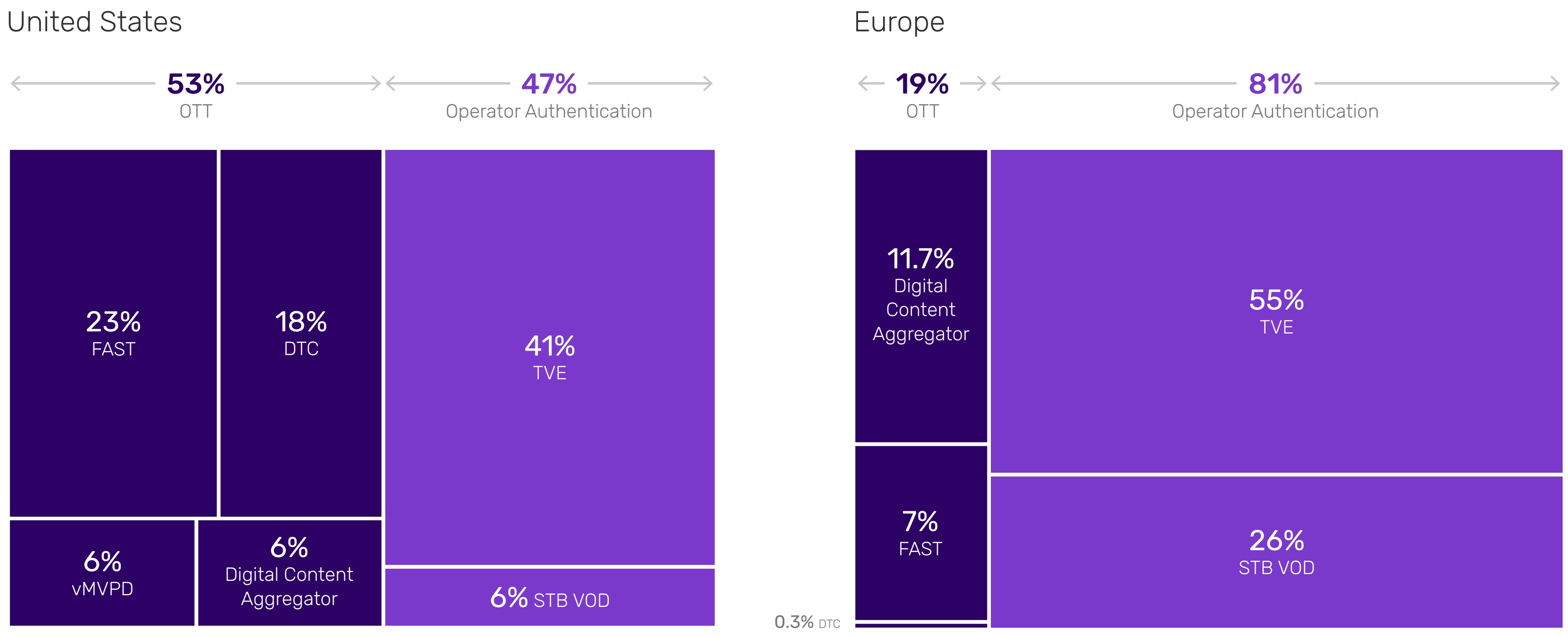

Ad views on OTT include SVOD streaming services with ad tier offerings.

TRENDS IN SERVICE BUNDLES

As audiences navigate a fragmented market, OTT streaming bundling is one mechanism to streamline audience subscription management and reduce costs for consumers and media companies. According to Variety's *Streaming Service Bundles* report, streaming bundles have evolved to two forms:

1 "soft bundling" where one payment provides access to multiple separate apps that are owned by one specific company, and

2 "hard bundling" which more definitively combines multiple apps from a company's portfolio into a singular offering with one access point.[1]

More recent headlines exemplify further service bundling opportunities as Charter and Disney reach an agreement to offer the Disney+ ad-supported tier with Spectrum TV Select and ESPN+ with Spectrum TV Select Plus. Bundled offerings – historically utilized in linear television – are expanding into the digital premium video sphere.[2]

Source: FreeWheel Video Marketplace Report, 1H 2023. The Growth of Hybrid Video On Demand.

REFINING THE VIEWER EXPERIENCE

Optimizing the consumer viewing experience is an important factor for media companies, considering that both publishers and advertisers benefit when audiences are satisfied and engaged with their ads. As HVOD tiers expand – ad quantity, quality, and relevancy are three key elements to creating a good viewer experience.[3]

How do today's premium video audiences react to ad-supported content? FreeWheel explored the impact advertising has on the viewer experience for European audiences and found that, on ad-supported video, the majority of audience drop-off occurs during content, not ads. Only 22% of drop-off on long-form content occurs during ads with a slight increase to 30% on short-form content.[4] This suggests that advertising does not drastically alter a viewer's engagement or time spent watching, as long as the overall ad experience aligns with the premium nature of the content being viewed.

To further explore improving viewer experience, FreeWheel introduced the [FreeWheel Viewer Experience Lab] earlier this year.

AUDIENCE TARGETING

In the U.S., there has been an +80% increase in impressions that utilize audience targeting. The overarching trend toward refining the viewer experience can be seen with this push toward relevancy in the ads served to individual viewers.

When compared, the U.S. and EUR continue to see inverse approaches to audience-targeted campaigns. It is far more common for U.S. advertisers to target audience segments by behavioral indicators while EUR advertisers are more likely to utilize demographic targeting. In EUR, there is less data fluidity due to stringent data regulations (such as GDPR) which limits the ability to utilize behavioral targeting. As a result, targeting is more often demo (age/gender…) based.

Source: FreeWheel Video Marketplace Report, 1H 2023.
The Growth of Hybrid Video On Demand.

CHART 6

AUDIENCE TARGETING GROWTH YOY

1H 2022 vs. 1H 2023, U.S. Only

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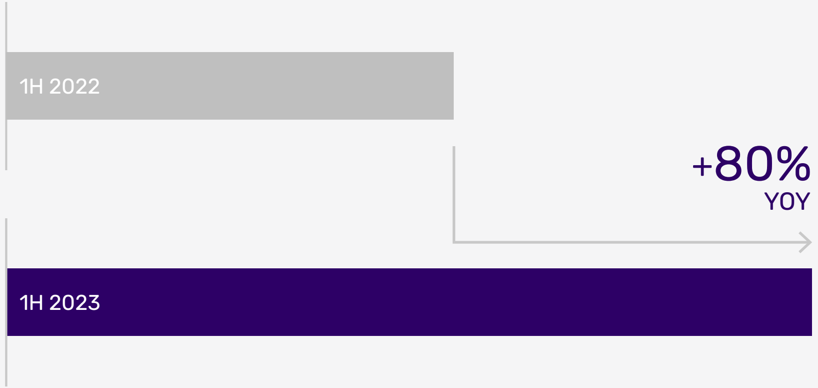

CHART 7

AUDIENCE SHARE OF TARGETED CAMPAIGNS

1H 2023

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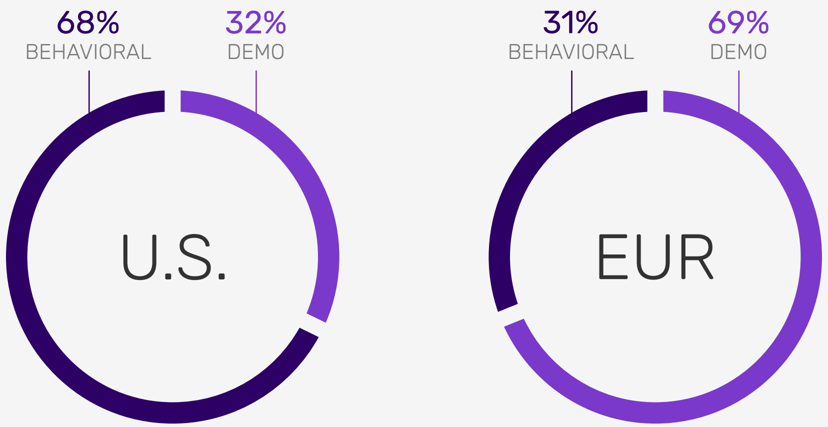

WHAT AUDIENCES ARE WATCHING

For ad-supported VOD, the majority of ad views occur within long-form content. The expansion of hybrid streaming offerings has increased long-form ad opportunities.

U.S. streaming ad views are evenly split across live and VOD. In EUR, live accounts for only 18%. One factor in this variance is the popularity of FAST channels in the U.S. as compared to EUR where FAST adoption is slower and linear television has a stronghold.

CHART 8

AD VIEW COMPOSITION BY CONTENT TYPE

1H 2023

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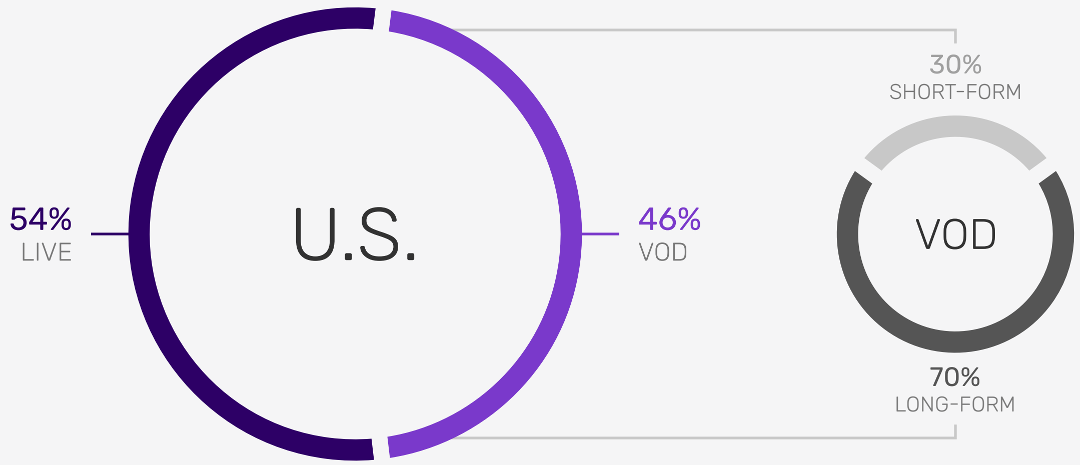

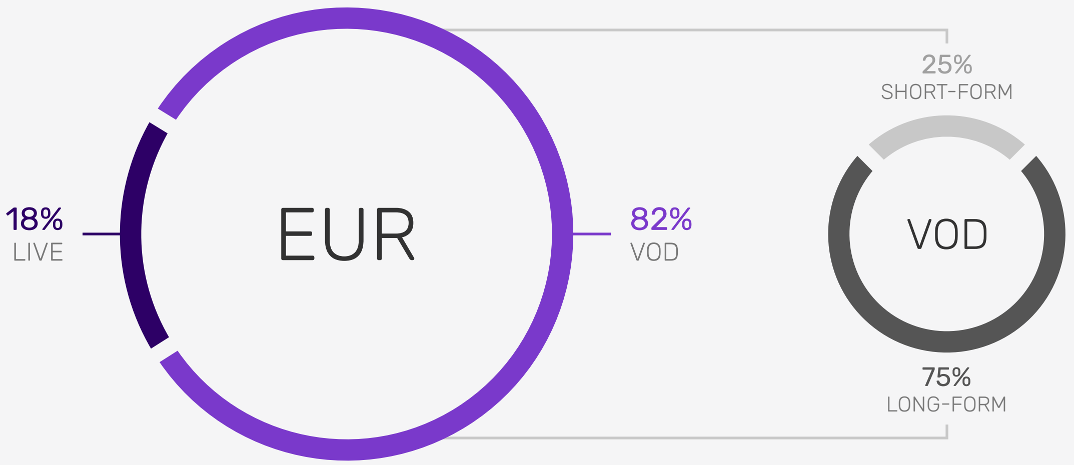

Short-form video is classified as video content under 6 minutes in duration.

Source: FreeWheel Video Marketplace Report, 1H 2023. The Growth of Hybrid Video On Demand.

Screen Size Viewing Habits for VOD vs. Live

U.S audiences do not drastically adjust their choice of screen size whether they are watching VOD or live content. VOD in the U.S. is primarily watched on large screens (76%) across CTV and STB combined, while live-streaming is even more likely to be viewed on CTV (87%). Overall, U.S. viewers gravitate toward large screen devices.

European audiences have a more balanced split between small (44%) and large screens (56%) for VOD content. Their small-screen viewing increases to 69% across mobile and desktop when watching live.

CHART 9

AD VIEWS BY DEVICE: CONTENT TYPE

1H 2023

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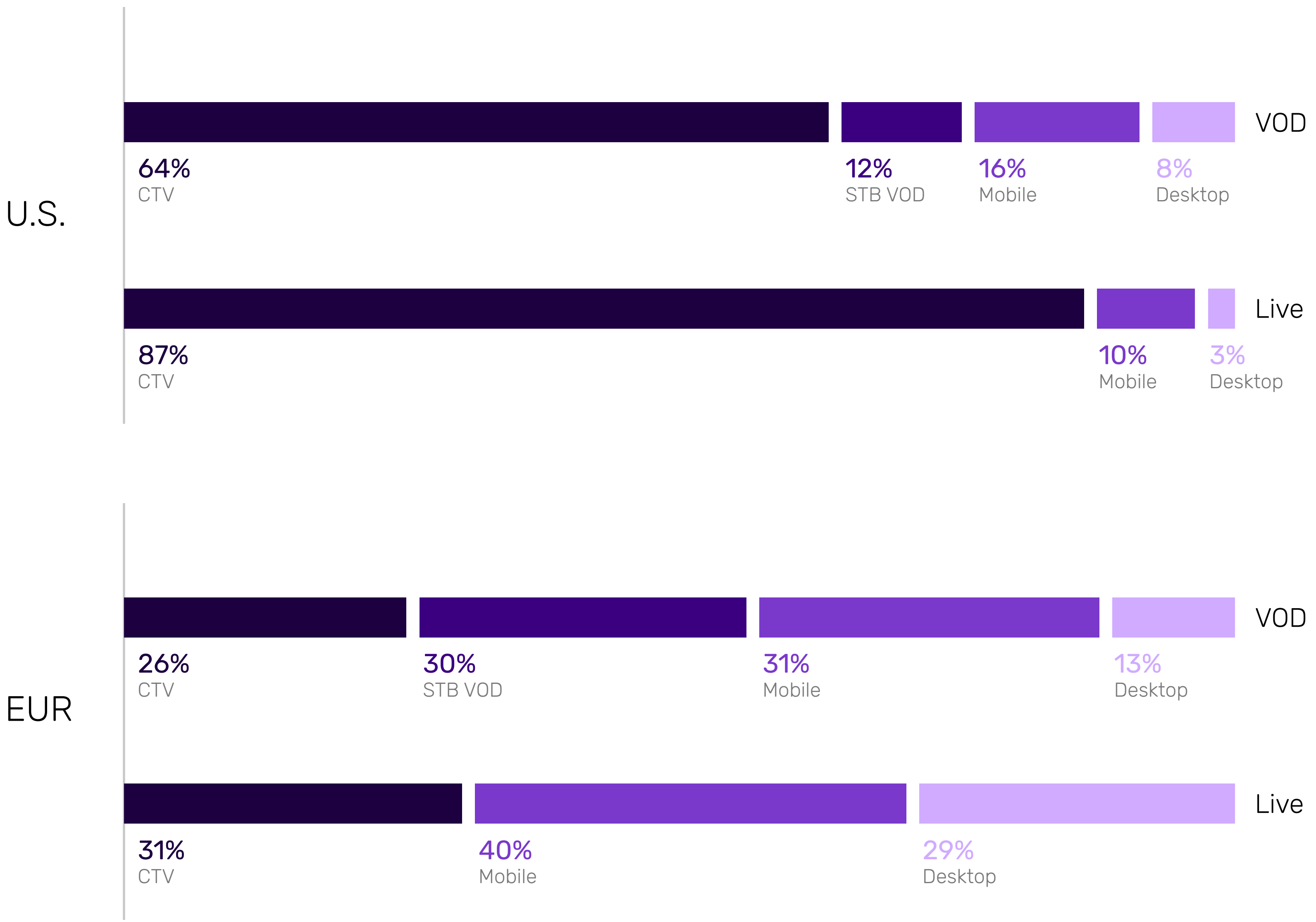

Source: FreeWheel Video Marketplace Report, 1H 2023. The Growth of Hybrid Video On Demand.

PROGRAMMATIC SNAPSHOT

Programmatic ad views in the U.S. have increased 21% YOY, sustaining impressive growth. As programmatic usage expands, industry-wide challenges have emerged in the U.S. and EUR.

1 | Buyers are looking for more transparent and direct paths to publishers so that they can be confident they are buying true impressions from real viewers.

2 | Programmatic transactions expand buyers' access to supply, yet an industry-wide lack of metadata standardization for CTV and STB inventory limits monetization potential.

The industry is working toward untangling these challenges so that programmatic continues to push forward in growing valuable impression opportunities.

CHART 10

PROGRAMMATIC AD VIEW GROWTH YOY

1H 2022 vs. 1H 2023, U.S. Only

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CHART 11

PROGRAMMATIC AD VIEW COMPOSITION BY DEVICE

1H 2023

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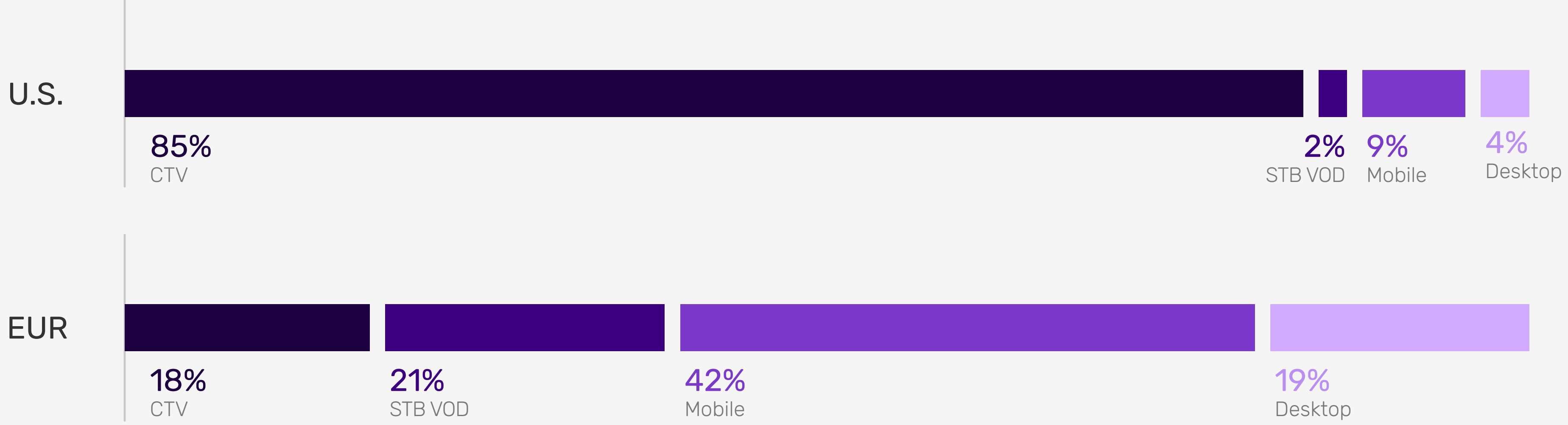

Source: FreeWheel Video Marketplace Report, 1H 2023. The Growth of Hybrid Video On Demand.

CHART 12

PROGRAMMATIC BY CONTENT TYPE

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Programmatic magnifies the differences between U.S. and EUR ad view composition, with 64% of U.S. programmatic ad views happening in live viewing environments and a significant majority of EUR programmatic ad views happening on VOD at 91%.

Source: FreeWheel Video Marketplace Report, 1H 2023. The Growth of Hybrid Video On Demand.

PROGRAMMATIC'S MISSING PIECE IS...

FreeWheel has compiled a comprehensive Guide to Programmatic Metadata, with actionable solutions to address CTV and STB metadata obstacles. Download the Programmatic Metadata Guide to learn more.

CHART 13

PROGRAMMATIC VS. NON-PROGRAMMATIC

1H 2023

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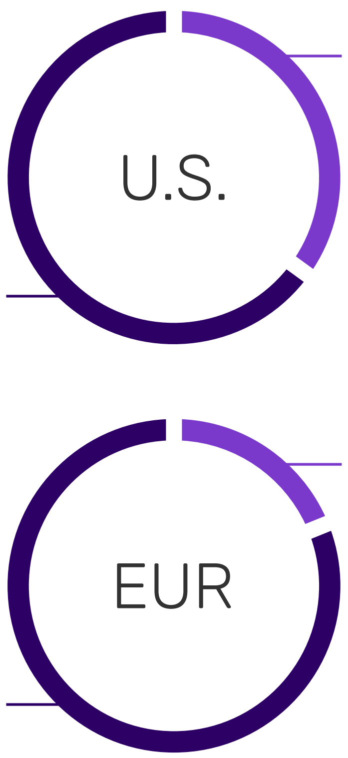

__Programmatic:__ Programmatic and Marketplace Platform Exchange (MPE)

__Non-Programmatic:__ Direct Sold, Reseller Sold, and Marketplace Platform Private (MPP)

CHART 14

PROGRAMMATIC VIEWS BY DEAL TYPE

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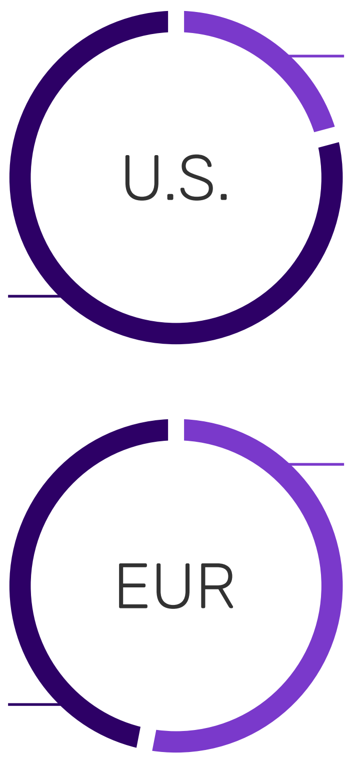

__Guaranteed:__ Deal type includes Programmatic Direct

__Non-Guaranteed:__ All other programmatic deal types

Source: FreeWheel Video Marketplace Report, 1H 2023. The Growth of Hybrid Video On Demand.

CONCLUSION

Amid persistent industry change, the premium video ad market remained resilient in the first half of 2023 as ad views grew 9% YOY across the U.S. and EUR. Advertising opportunities continue to increase with the growth of HVOD offerings driven by publisher shifts and consumer behavior. As more subscription-based streaming platforms incorporate ad-supported content, advertising remains core to the premium video ecosystem.

Viewer experience is increasing in importance as there are more opportunities to reach viewers in this time of hybrid expansion. According to recent research from Comcast Advertising, the experience of viewing ads in a nondisruptive manner matters to consumers.[3] Device screen size, content type (VOD vs. live), and distribution platform are amongst the important factors that inform how to shape the ad experience. While the U.S. and EUR have inverse approaches to targeting based on audience characteristics, behavioral and demographic-based targeting is another way in which a more personalized and optimized experience can be offered to viewers.

Meantime, programmatic continues to face transparency and metadata standardization challenges even while the transaction type's ad views saw a healthy 21% YOY increase in the U.S. There is a growing call to action across the supply chain to come together to solve these issues while simultaneously supporting programmatic's growth.

ABOUT THE AUTHORS

BRIDGET GREANEY

Consultant on the Advisory Services team, identifying and resolving unique challenges faced by media clients across premium video. Prior to FreeWheel, Bridget spent many years on the production side of the film and television industry, later completing her Master's degree in Business Administration.

EMMANUEL JOSSERAND

Sr. Director, Agency, Brand & Industry Relations, Emmanuel leads FreeWheel's advocacy efforts in Europe through various buy and sell-side councils and forum, to champion the value of the premium video economy and TV as a marketing platform.

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Senior Consultant on the Advisory Services team, working with media clients to deliver network optimization, inventory monetization and provide reporting and analytics insights. Prior to FreeWheel, she worked in the Telco industry and completed her Master's degree in Computer Science.

HANNA TRAN

Director, Advisory Services, Hanna leads FreeWheel's Advisory Services team, where she helps clients navigate the ever-evolving premium video ecosystem.
Her areas of expertise include change management analysis, operation strategy, and scaling of organizational capabilities. Prior to FreeWheel, Hanna worked in the financial services industry.

LEE SINGLETARY

Sr. Manager, Brand & Industry Relations, Lee leads content strategy at Comcast Advertising, FreeWheel's parent company. He also manages the buy-side industry council aimed at deepening relationships with advertiser clients and advocating for industry advancement. Lee began his career as a journalist and launched a streaming news channel for a broadcast TV station.

GLOSSARY

Ad View – Occurs each time an ad is displayed

AVOD (Ad-Supported Video On Demand) – A streaming video service that offers viewers access to a free catalogue of on demand content and contains advertisements

Behavioral Targeting – Targeting consumers based on their activities (e.g., shopping habits)

CTV (Connected Television) – A television set that is connected to the internet via OTT devices, Blu-ray players, streaming box or stick, and gaming consoles, or has built-in internet capabilities (e.g., a Smart TV) and can access a variety of long-form and short-form web-based content

Deal – A programmatic transaction between advertisers and publishers

Demo Targeting – Targeting consumers based on demographic information such as age and gender

DTC (Direct-to-Consumer) – Subscription-based service offered directly from Content Owners to watch owned content without a distributor subscription

EUR – Includes the following countries: Belgium, Estonia, Finland, France, Germany, Italy, Latvia, Lithuania, Netherlands, Spain, Nordics, UK

FAST (Free Ad-Supported Streaming Television) – Ad-supported live streaming without a subscription (e.g., Xumo, Tubi, Pluto TV)

Guaranteed Deals – A transaction priority that ensures available supply by guaranteeing purchase of a set number of impressions

HVOD (Hybrid Video On Demand) – Video on demand platforms that have a mix of offers – usually including a discounted subscription tier that contains ad-supported content as well as paid/free offers, with/without subscription fees

Live – Content that viewers are watching in the same real-world time and experience simultaneous commercial breaks

Long-Form – Video content 6 minutes or longer

Mobile – Content viewed on mobile devices and apps

Non-Programmatic – Direct sold inventory that is not programmatic (i.e., direct sold, reseller sold, MPP)

OTT (Over-the-Top) – Content distributed to viewers over the internet

Programmatic – The use of automation software or managed services to execute an advertising deal

Publisher – Owner or licensor of content (content rights owner)

Short-Form (Clips) – Video content less than 6 minutes

STB VOD (Set-Top Box VOD) – Accompanies a cable/broadcast/satellite setup. Contains a cable input and outputs to a TV

SVOD (Subscription Video On Demand) – A streaming video service where subscribers pay a flat fee (often monthly) for access to a catalogue of on demand content

TVE (TV Everywhere) – Services that accompany a cable/satellite subscription, allowing a customer to watch the channels in their package anywhere, both inside and outside the home, without a set-top box

vMVPD (Virtual Multichannel Video Program Distributor) – Streaming services that deliver live and on demand content over the internet in a linear fashion without a Multiple Systems Operator subscription

VOD (Video on Demand) – Programming that lets a viewer select and watch a video (e.g., movie, TV episode) whenever they choose, rather than at a scheduled broadcast time

SOURCES

1 | Variety, "Hard Bundles are the Future of Subscription Video Packaging." Aquilina, Tyler. August 8, 2023.

2 | Yahoo Finance, "Disney and Charter reach deal to end media blackout." Canal, Alexandra. September 11, 2023.

3 | FreeWheel, The State of TV Advertising: Viewer Experience. 2023.

4 | FreeWheel, The Delicate Art of Balancing Ad Load. 2023.

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