NOVEMBER 2013

eMarketer
Digital Display Advertising Roundup

Display ad spending is growing at a robust pace in the US, set to rise 19.0% this year to account for 41.6% of all US digital ad spending. eMarketer has curated a roundup of key trends, statistics and information relevant to marketers who are creating and buying display ads in a world where online video, sponsorships, native ads and programmatic buying are quickly altering the landscape.

Digital Display Advertising Overview

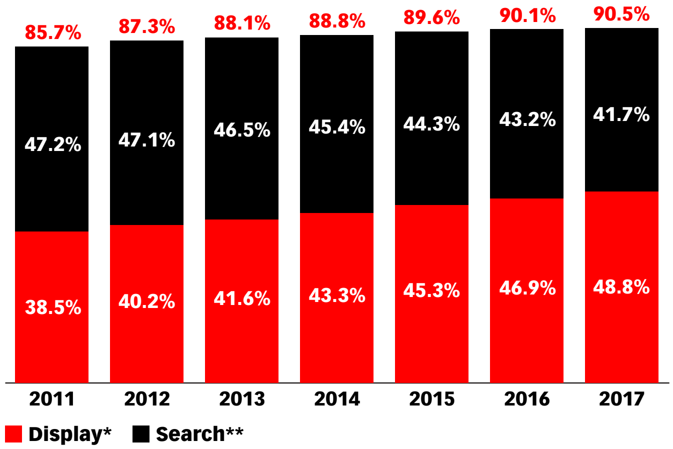
Display ad spending, which eMarketer defines as banner ads, rich media, sponsorships and video, has been on a strong upward trajectory in recent years, largely boosted by rapid growth in digital video ad spending.

Together, display and search will account for almost nine in 10 US digital advertising dollars this year, eMarketer estimates, and display's share of the total is rising as search loses ground. By 2017, nearly half of all US digital ad dollars will go toward one of the display formats.

In addition to rapid rises in online video spending, and growth in outlays for sponsorships and native advertising, real-time bidding and other programmatic buying options are also buoying display spend. eMarketer expects real-time-bidded ads to account for 19% of US digital display ad spending this year, rising to 29% by 2017.

In the US, the greatest share of digital display revenues will go to Google this year, just beating out Facebook at 17.4% of the market vs. 17.0%. Google will continue to grab greater share of the display market each year, largely due to its ownership of YouTube and expected increased monetization of its massive digital video assets.

US Digital Display* and Search Ad Spending as a Percent of Total Digital Ad Spending, 2011-2017**



*Note: includes advertising that appears on desktop and laptop computers as well as mobile phones and tablets, and includes all the various formats of advertising on those platforms; data through 2012 is derived from IAB/PwC data; *includes banner ads, rich media, sponsorships and video; **includes contextual text links, paid inclusion, paid listings (paid search) and SEO*
Source: eMarketer, Aug 2013

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Net US Digital Display Ad Revenue Share, by Company, 2011-2015
% of total digital display ad revenues

	2011	2012	2013	2014	2015
Google	13.5%	15.3%	17.4%	20.4%	25.2%
Facebook	14.1%	14.8%	17.0%	17.8%	18.3%
Yahoo!	11.0%	9.2%	7.5%	6.5%	5.8%
Microsoft	5.2%	5.1%	4.9%	4.4%	3.9%
AOL	5.3%	4.7%	4.2%	3.8%	3.4%
Twitter	1.1%	1.8%	2.8%	3.6%	4.3%
IAC	1.1%	1.4%	1.4%	1.4%	1.3%
Amazon	0.4%	0.6%	0.8%	0.9%	0.9%
Total digital display* (billions)	**$12.33**	**$14.78**	**$17.58**	**$20.63**	**$23.78**

*Note: includes advertising that appears on desktop and laptop computers as well as mobile phones and tablets; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; includes banner ads, rich media, sponsorships and video; *data through 2012 is derived from IAB/PwC data*
Source: company reports, 2012 & 2013; eMarketer, Aug 2013

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Brands Shift Ad Dollars to Online Video

Publisher, network buys still win out over programmatic for premium placements

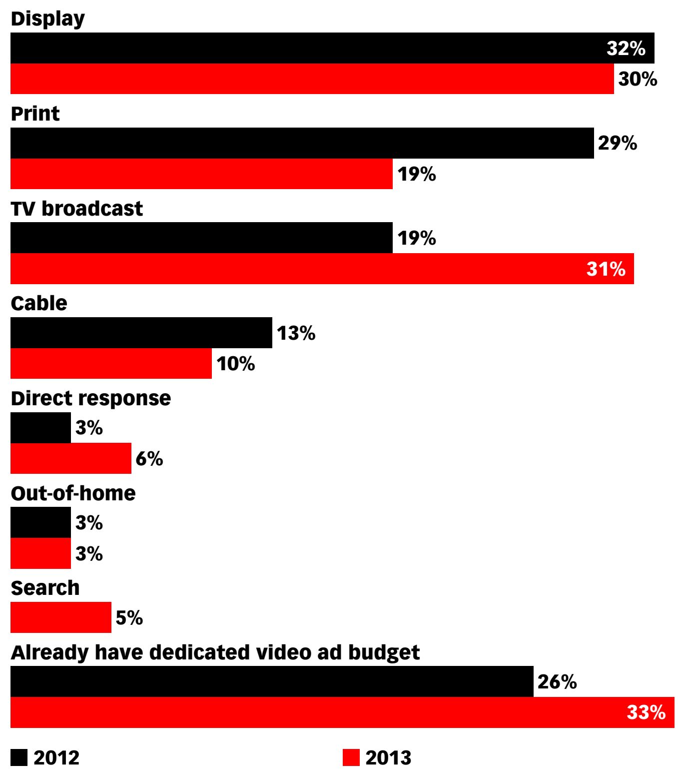
The growth of online video advertising over the past few years has been tremendous. Users are increasingly going online to access content previously only available to them through cable or broadcast television, leading advertisers to chase those eyeballs on the web.

An October 2013 survey from Adap.tv and Digiday polled digital and marketing professionals to get a bead on the state of the video ad industry. They found that online advertising budgets were most often growing at the expense of TV broadcast budgets, according to brands. In fact, 31% of brands that responded were planning to shift their advertising budgets away from broadcast television and into online video, while 30% planned to take money away from display advertising for online video. That represents a significant change since 2012, when brands were pulling dollars from display or print, but less so from television budgets.

Both brands and agencies had similar approaches to buying online video ad inventory. Three-quarters of brands purchased inventory from an ad network, making it the most popular source for those companies. Eighty-six percent of ad agencies bought inventory direct from a publisher, making them the top choice for ad space. But ad networks were almost on par with publishers—85% of agencies said they used them to purchase inventory. The survey also found that programmatic ad buying by both brands and agencies had more than doubled between 2011 and 2013.

While interest in programmatic video ad buying is growing, the number of agencies and brands who have participated in it remains low. But both seem to have the understanding that programmatic ad purchasing channels can offer premium ad inventory. In fact, almost half of agencies and nearly 45% of brands believed premium advertising was available through programmatic environments. Still, programmatic buying has yet to become a tool regularly employed by ad buyers. Nearly one-third of agencies and almost one-quarter of brands said they were unfamiliar with programmatic ad buying techniques.

Channels from Which Brands in North America Plan to Shift Their Ad Budget to Video, 2012 & 2013
% of respondents



Note: read as 31% of respondents are planning on shifting their budget from TV broadcasts to video
Source: Adap.tv and Digiday, "Q4 2013 State of Video Industry Report," Oct 22, 2013
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Channels Used by Agencies and Brands in North America to Buy Digital Video Ad Inventory, 2011 & 2013
% of respondents

	Agencies		Brands	
	2011	2013	2011	2013
Direct from a publisher	73%	86%	78%	68%
From an ad network	82%	85%	61%	75%
From a DSP	19%	36%	11%	21%
From an exchange	19%	34%	11%	28%
From an agency trading desk	0%	22%	0%	18%

Source: Adap.tv and Digiday, "Q4 2013 State of Video Industry Report," Oct 22, 2013
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Nearly One-fifth of US Display Spending Will Be Automated This Year

Real-time bidding spending to grow 73.9% to $3.34 billion this year in the US

Programmatic buying will continue to gain a greater portion of display spending in the US this year, according to eMarketer's latest estimates on US real-time bidding (RTB) and digital display advertising.

The growth of RTB comes as more advertisers familiarize themselves with a complex automated buying ecosystem, and seek to reach audiences through a more targeted, and—in some cases—cost-effective process.

eMarketer has revised its projections for RTB digital display advertising in the US upward, due to upward revisions in the overall digital display ad market.

The company's latest forecast of US ad spending predicts marketers will spend $3.34 billion this year on real-time-bidded ads, up 73.9% from last year. Previously, in June, eMarketer forecast RTB spending would reach $3.32 billion, for growth of 72.7%. eMarketer has similarly revised upward growth rates and total dollars spent on RTB for future years. eMarketer now expects US advertisers to spend $8.69 billion on RTB ads by 2017, up from $8.51 billion previously forecast.

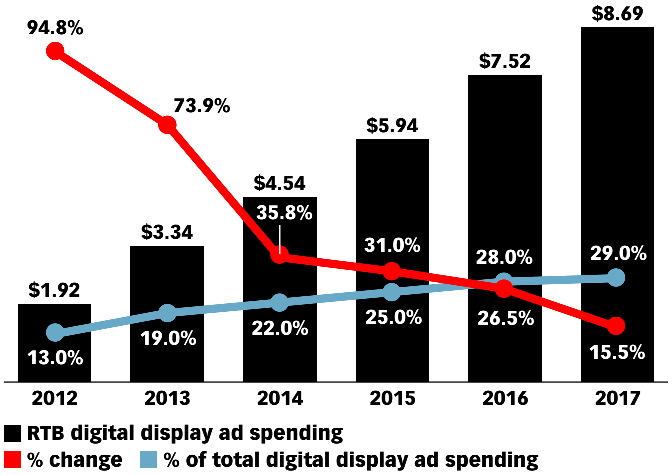
The revisions to forecast RTB ad spending are based on overall upward revisions to eMarketer's digital display ad forecast. Display advertising is growing more quickly than previously expected, with mobile the source of the boost.

Mobile internet display ad spending will amount to $3.81 billion this year—up 21.7% from 2012. In June, eMarketer forecast a somewhat lower $3.38 billion in mobile display ad spending this year, rising to $13.04 billion by 2017. Now, eMarketer expects 2017 mobile internet display ad spending to reach $14.50 billion that year.

These increases have helped push total display ad spending estimates up in turn. And RTB spending, which is modeled as a share of total display spending, is projected accordingly higher.

eMarketer bases its estimates of US ad spending on the analysis of reported revenues from major ad-selling companies; data from benchmark sources the Interactive Advertising Bureau (IAB) and PricewaterhouseCoopers (PwC); estimates from other research firms; consumer internet usage trends; and eMarketer interviews with executives at ad agencies, brands, online ad publishers and other industry leaders.

US Real-Time Bidding (RTB) Digital Display Ad Spending, 2012-2017
billions, % change and % of total digital display ad spending



Note: includes all display formats served to all devices
Source: eMarketer, Aug 2013

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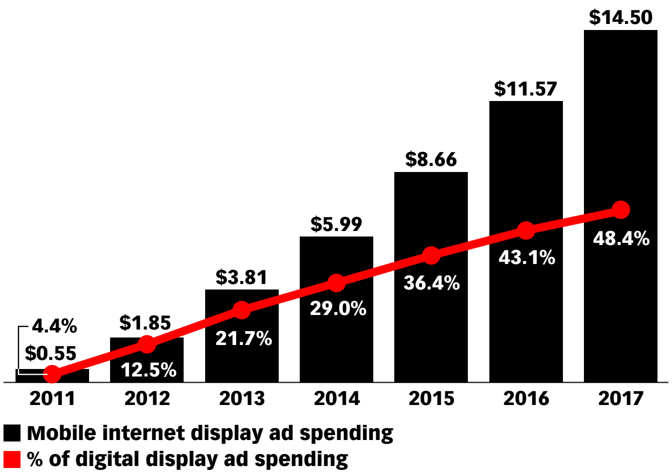
US Mobile Internet Display Ad Spending, 2011-2017
billions and % of digital display ad spending



Note: ad spending on tablets is included; includes banners and ads such as Facebook's Sponsored Stories and Twitter's Promoted Tweets, rich media, sponsorships and video; mobile also includes video on WAP sites, mobile HTML sites and embedded in-application/in-game advertising; excludes SMS, MMS and P2P messaging-based advertising
Source: eMarketer, Aug 2013

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Women watch more video ads than men

Digital video is surging. According to Cisco Systems, US internet video traffic in 2012 averaged 4.6 exabytes per month, and by 2017, that figure will more than triple to 17.1 exabytes per month.

As internet video takes off, the number of advertisers clamoring to invest in the format will continue to rise. A strong understanding of the performance metrics and audience breakdown for digital video ads will be critical to marketers.

In Q1 2013, in-stream video buying platform VideoHub analyzed digital video impressions on its network and found some surprising results. While web video is most often watched by men, VideoHub found that 53% of total digital video ad impressions were served to women, with males seeing the remaining 47%. Younger web users conducted the vast majority of video viewing, indicating that marketers targeting teens and millennials would be well served by video ads. Those between 12 and 24 years old accounted for more than half of all viewed video ad impressions on VideoHub's network.

As for performance based on the length of a video ad, there was considerable variation and lack of a clear trend line. Completion rates were lowest for video ads that lasted between 30 to 60 seconds (77%), but ads that ran for 30 seconds or less saw an 84% completion rate, the second-highest of any video ad length measured, indicating that short ads do not necessarily equal low completion rates. The absolute highest completion rate went to ads that were between 30 and 60 minutes.

Most likely, very few ads actually are as long as 30 minutes, or even 5 minutes, which may mean that viewers who sign on for such video ads are particularly receptive to them. But the other takeaway is that how compelling the ad is may be more important than how long it is.

Performance metrics based on the size of US video ads saw a clearer trajectory than ad length. The larger the video ad, the higher the completion rate, with a 93.0% completion rate for extra-large video ads vs. a 66.0% completion for extra-small video ads. Clickthrough rates (CTR) also seemed to rise with video ad sizes. However, once ads were medium-sized or bigger, CTRs went up to at least 0.9% and continued to hover in that range.

US Digital Video Traffic and Usage Metrics, 2012 & 2017

	2012	2017
Internet video traffic (exabytes/month)	4.6	17.1
Consumer internet video traffic (% of total internet video traffic)	68%	74%
Internet video-to-TV traffic (% of fixed consumer internet video traffic)	16%	17%
Consumer TV internet traffic (% of total internet traffic)	10%	11%
Minutes of video content crossing the internet (billions/month)	190	341
Internet video users (millions)	165	189

Note: 1 exabyte=1 billion gigabytes
Source: Cisco Systems, "Cisco Visual Networking Index (VNI): Forecast and Methodology, 2012-2017," May 29, 2013

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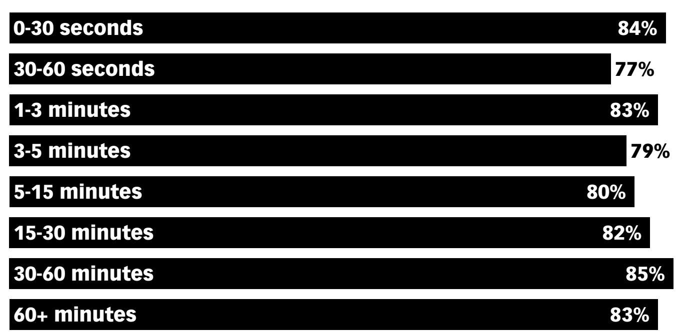
Completion Rates of US Digital Video Ads, by Length, Q1 2013



Note: on the VideoHub network; includes desktop/PC and mobile web (<5% of total volume); excludes mobile apps
Source: VideoHub, "Video Insights Report," Aug 2013

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Performance Metrics of US Digital Video Ads, by Size, Q1 2013

	Completions	Clickthrough rate
Extra small—<300 pixels	66.0%	0.4%
Small—300-399 pixels	78.0%	0.2%
Medium—400-599 pixels	85.0%	0.9%
Large—600-799 pixels	85.0%	1.0%
Extra large—800+ pixels	93.0%	0.9%

Note: on the VideoHub network; includes desktop/PC and mobile web (<5% of total volume); excludes mobile apps
Source: VideoHub, "Video Insights Report," Aug 2013

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Ads in the medium to large range were also the most common video ads, accounting for 77.4% of served impressions, indicating that marketers know these sizes are strongest.

Digital video ads can be for more than just awareness

When marketers determine their goals for digital video advertising, top-of-the-funnel awareness is almost always their main focus. In that sense, digital video differs little from TV advertising.

But what about mid- and bottom-funnel objectives, such as consideration, preference and the actual conversion? While it's still early in the game, more and more brands are finding ways to use digital video to help achieve those goals. However, shifting focus down from awareness will not come easy. The use of digital video for awareness is near universal, cited by 94.6% of US media agencies as an objective for brand video efforts in a December 2012 study from Sharethrough. In contrast, far fewer respondents mentioned mid- and lower-funnel goals such as purchase intent, customer acquisition and customer loyalty.

"We have fallen into this trap of thinking that video is only for top-of-funnel activities," said Mina Seetharaman, senior partner and executive director of content and advanced video practices at OgilvyOne. "But we have a lot of programs that prove otherwise."

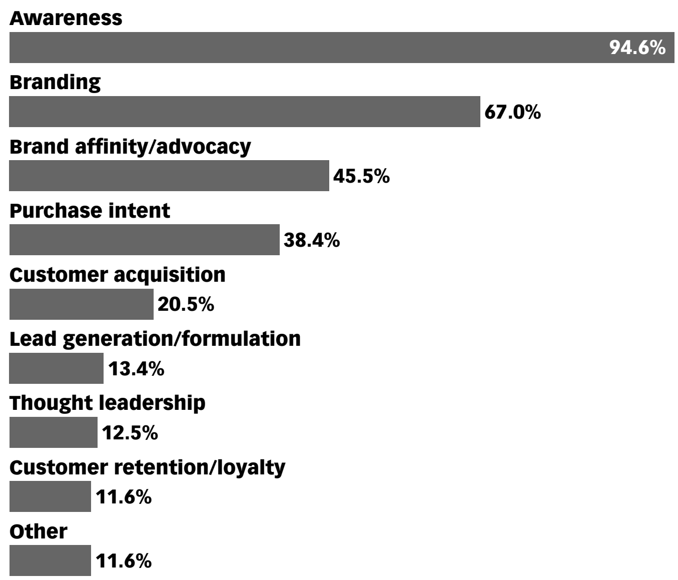
"This is all relatively new," said Jonathan Lee, managing director of brand and marketing strategy at Huge, a digital agency. "We're conditioned. We're not rewarded for experimentation. We're rewarded for conventional behavior. While boundaries are being pushed every day in this business, you're always going to have the people who are not going to do it until it's proven. … [But that's] always a trepidation clients have."

And attribution is hard. Measuring video's effectiveness for goals beyond awareness, especially in cross-platform campaigns, can be even harder.

When marketers can figure out when and how video advertising has contributed to successful mid- and lower-funnel goals, their work can become more effective. According to 37.2% of US marketers and agencies surveyed by Netmining in April 2013, using attribution helped them minimize media spend waste.

Many marketers still focus on video as a driver of awareness at the top of the funnel, making it difficult to determine its contribution to mid- and lower-funnel results. For instance, when marketers use a same-session attribution model, they will rarely see high returns from video. To solve this and other sticking points, more marketers will need to budge from their comfort zones.

Marketing Objectives for Online Brand Video Efforts According to US Media Agencies, Dec 2012
% of respondents



Note: for their company or clients
Source: Sharethrough, "Native Advertising Survey," Jan 25, 2013
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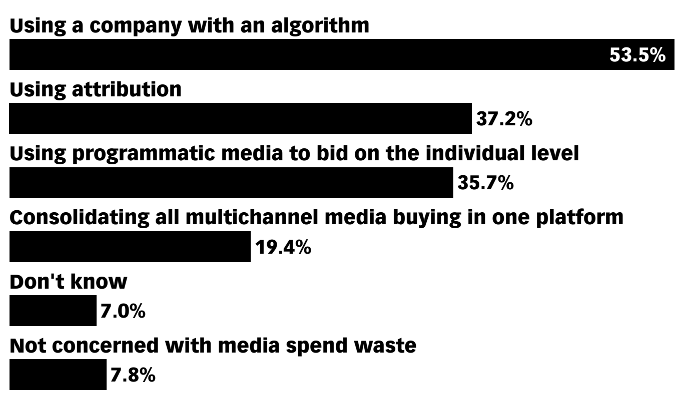
Ways that US Marketers and Agencies Are Minimizing Media Spend Waste, April 2013
% of respondents



Source: Netmining, "The Programmatic Landscape," April 22, 2013
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Strong growth projected for France, Germany

It's no secret that technology is transforming media buying on digital platforms. Programmatic (automated) buying of video ad inventory enables brands to target audiences more efficiently and get better deals on placements.

In Europe, this approach is relatively new, but interest and investment are ramping up sharply. According to an IHS study commissioned by SpotXchange—an online video platform and service provider—programmatic video ad sales in the EU-5 will grow by 223.1% this year and reach €626.5 million ($803.2 million) in 2017. Moreover, an estimated 33.2% of all digital video ad revenue in the region will come from automated placements in 2017, up from 4.6% in 2012.

The UK was the most advanced market among the EU-5 for programmatic video ad buying in 2012, IHS found, describing it as "one to two years ahead" of France, Germany, Italy and Spain. One reason for the UK's lead in automated video advertising is the size of the digital video audience. eMarketer estimates that more than 34 million people in the UK will watch video content on digital platforms this year—and by 2017, around 40 million will do so. Naturally, advertisers who produce video campaigns are keen to trial automated ad serving in a sizeable, relatively mature market.

Thanks partly to this head start, the UK is expected to remain the largest European market for these buys through 2017. And major brands are helping to fuel the trend. In late July, Kellogg's digital director for Europe, Matt Pritchard, told industry source The Drum that he planned to place more of the firm's UK video ads this way, as part of an attempt to make the company's marketing more precisely targeted.

UK-based advertisers may be spending more, but France and Germany will see the most rapid uptake in programmatic buying of video ads, IHS predicted, with compound annual growth rates (CAGRs) of 95.6% and 95.0%, respectively, during the forecast period.

Though France and Germany will show nearly identical patterns of sales growth, they present very different contexts for online video advertising, according to IHS. In France, researchers found that many proactive broadcasters and publishers were welcoming these ad-buying options, and forming advertising technology alliances that encourage programmatic buying in "a controlled environment."

Programmatic Digital Video Ad Spending in the EU-5, 2012-2017
millions of €, % change and % of total video ad spending

	2012	2013	2014	2015	2016	2017
Revenues	€35.9	€119.6	€225.5	€368.8	€503.0	€626.5
% change	-	233.1%	88.5%	63.5%	36.4%	24.6%
% of total video ad spending	4.6%	12.2%	18.7%	25.8%	30.3%	33.2%

Source: IHS, "Video goes programmatic: Forecasting the European online video advertising landscape" commissioned by SpotXchange; eMarketer calculations, Sep 5, 2013

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UK Digital Video Viewers, 2012-2017

	2012	2013	2014	2015	2016	2017
Digital video viewers (millions)	**32.3**	**34.1**	**36.1**	**37.6**	**38.9**	**39.9**
—% change	9.2%	5.5%	5.8%	4.2%	3.4%	2.4%
—% of internet users	69.5%	71.3%	73.6%	75.2%	76.3%	77.1%
—% of population	51.1%	53.5%	56.1%	57.9%	59.4%	60.4%

Note: internet users who watch video content online via any device at least once per month
Source: eMarketer, Aug 2013

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Programmatic Video Ad Spending Share in the EU-5, 2012-2017
% of total video ad spending

	2012	2013	2014	2015	2016	2017
UK	9%	18.2%	24.3%	31.2%	36.2%	38.9%
France	3%	11.4%	17.5%	24.5%	28.7%	31.4%
Italy	3.9%	11.3%	19.0%	28.7%	32.8%	36.0%
Spain	2.5%	9.1%	16.3%	22.9%	27.2%	29.8%
Germany	1.9%	6.7%	13.1%	18.9%	23.1%	26.6%

Source: IHS, "Video goes programmatic: Forecasting the European online video advertising landscape" commissioned by SpotXchange, Sep 5, 2013

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By contrast, most video ad inventory in Germany is handled by just a few big players, IHS noted. To date, these powerful "gatekeepers" haven't shown much enthusiasm for programmatic buying of video ads, and IHS expects the practice to become widespread only after 2016.

Advertisers look to engagement metrics, but CPM cost structures are here to stay

For many years, firms—including eMarketer—have equated formats like banners, rich media, sponsorships and video with brand advertising, while search, classifieds and directories, email, lead generation, and mobile messaging were proxies for direct-response efforts. But in today's digital ad ecosystem, the lines between objective and format are blurring.

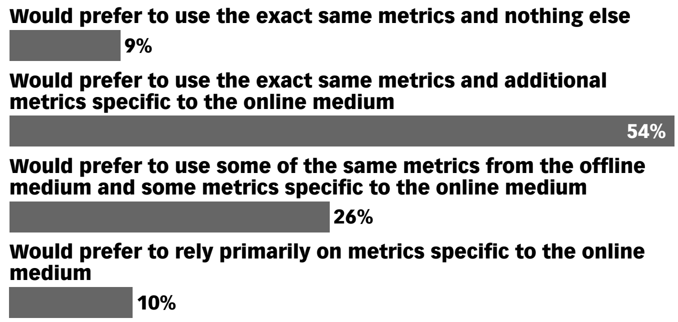
Multiple factors, including the convergence of digital as both a content and a commerce medium, as well as the rise of multichannel marketing campaigns, are leading marketers to benchmark their digital ad campaigns against both performance- and branding-based objectives—regardless of format, according to a new eMarketer report, "Overview of Digital CPMs: Measures of Digital Performance Place Pressure on Pricing."

February 2013 data from Nielsen and digital brand advertising measurement firm Vizu supported this observation. Survey results showed 90% of US brand marketers preferred to use at least some digital-specific metrics—be it clicks, views, conversions or sales—to quantify the value of their online investment.

Brand advertisers' pursuit of performance is affecting the current state of the digital CPM cost structure in several ways. The first and perhaps most direct effect is the willingness of premium and other large-scale publishers to offer both performance- and CPM-based pricing. In contrast, however, some publishers seek to bolster the value of CPMs and preserve the cost structure by building bigger, better and more engaging advertising experiences. Native advertising is one example.

"Advertisers are very excited about native advertising or content marketing opportunities," said Scott Neslund, executive vice president of media services at advertising agency Centro. "They see higher consumer engagement with these types of customized ads. They also tend to have higher viewability rates, meaning above-the-fold placements."

Metrics* that US Brand Marketers Would Like to Use to Measure Their Online Ad Spending, Feb 2013
% of respondents



*Note: numbers may not add up to 100% due to rounding; *already used for offline spending*
Source: Nielsen and Vizu, "2013 Online Advertising Performance Outlook" conducted by CMO Council, April 18, 2013
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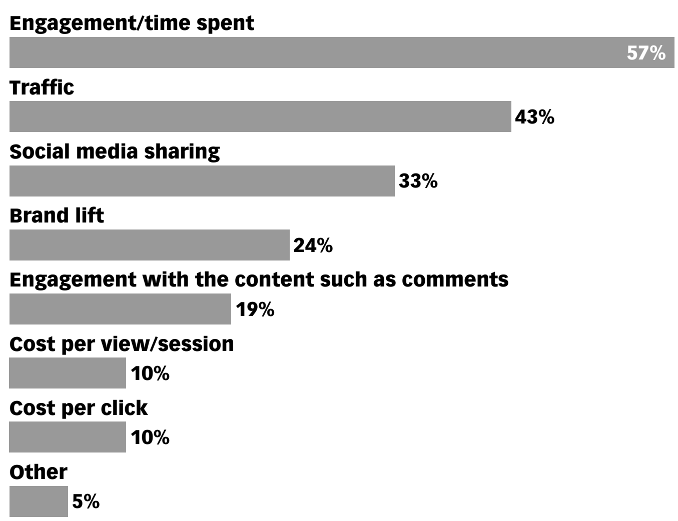
Most Important Metrics that Marketers Are Using to Measure the Impact of Their Native Ad Campaigns According to US Publishers, June 2013
% of respondents



Note: n=21; respondents selected their top 2 metrics
Source: Online Publishers Association (OPA) and Radar Research, "Premium Content Brands Are Native Naturals," July 10, 2013
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CPMs Hold Strong as the Standard for Digital Ad Measurement (continued)

Though all of these value-adds justify the command for higher CPMs called for by publishers offering native advertising opportunities, the greater focus on engagement might have brands calling for pricing that follows suit. One such model is CPE, which native ad providers such as YouTube and Twitter offer. Such a pricing structure is a direct reflection of the metric an Online Publishers Association (OPA) and Radar Research study found the majority of US marketers used to measure native advertising: engagement.

Though for many, CPE might be a preferred performance metric, it is unlikely to become a ubiquitous pricing model. "The CPE pricing model can be hard because you need liquidity," Anthony Risicato, general manager of video advertising platform VideoHub, said. He noted that networks such as Tremor Video or publishers such as YouTube, for example, are able to make such a model work because of their massive amount of inventory, wide reach and ability to more seamlessly integrate advertiser content with their own.

Centro's Neslund also said he didn't see performance-based pricing as the future of native advertising: "We're seeing a CPM model being attached to native advertising for now, and I don't think that will change."

Interactive Video Ads—Not Just for Movie Trailers Anymore

Tal Chalozin

Co-Founder and CTO

Innovid

Interactive video advertising has been a clear winner for entertainment companies and automakers. But now, unlikely suitors including consumer packaged goods (CPG) and pharmaceuticals are seeing success with the immersive ad concept. Tal Chalozin, co-founder and CTO of Innovid, a New York-based technology company that creates and measures video ad campaigns, spoke with eMarketer's Danielle Drolet about where interactive video advertising is headed and what marketers need to know as it evolves.

eMarketer: How do you define interactive video advertising?

Tal Chalozin: Beyond two-way communication, which is "I'm the viewer and clicking," it's also about dialogue between the viewer and the content or the viewer and the marketer.

Technically, what we are calling interactive video is video that has a nonlinear capability. This means you can click, the video will pause and expand, and ultimately, you spend more time with it. It goes beyond the typical 30-second spot.

eMarketer: What elements turn a regular pre-roll, for example, or in-banner video ad into an interactive one?

"What we are calling interactive video is video that has a nonlinear capability."

Chalozin: There's definitely the video ad itself, which could be 30 or 60 seconds. On top of it, there is overlay that we call a bug, which has two things. It has graphics, and it also has what I refer to as direction, which describes to the viewer what he or she needs to do. This bug can have an animated element. It could be another piece of video that is an overlay.

We do a lot of campaigns for movies. For example, with DreamWorks Animation's "Puss in Boots" movie, we had many cool assets, including the cat dancing in the corner. And he had a text bubble that said, "Click to watch me dance more." Depending on the device, you may roll over or tap, and the call to action not only describes what will happen, but also what action the viewer is required to do.

eMarketer: How do the calls to action work?

Chalozin: Our calls to action change based on the technology. The bug will change based on the consuming device. If it's running on a tablet, it will say tap. On connected TV, it will point to the right button in your remote. For Microsoft Xbox, click X, and so on.

Next, following your click, it will open up something inside a video, which we call an engagement slate. This is the point in time where the video itself pauses, and the slate opens up. It looks like a microsite, but it all happens inside the video player. For example, you can be on a Hulu page or on ABC.com watching "Modern Family." There will be an ad break, and the video will start. You click, and the slate opens up inside the player.

eMarketer: What share of Innovid's video ads are interactive?

Chalozin: About 85%, but we are closing in on 90%. Since we started, we've been pushing the envelope on allowing viewers to participate in the video. The interactive part is our bread and butter, so this represents nearly everything we are doing.

"comScore is reporting that in the US there are about 15 billion video ads being delivered a month. This number will increase upward to between 20 billion and 30 billion a month."

Our market share of the overall US is increasing dramatically. Now if we're delivering 15% to 20% of the ads across different devices, then the overall US portion of interactive is increasing dramatically. Innovid's interactive part is not really increasing because it's been high since the beginning. But our portion of the overall market share is because the overall market is increasing.

eMarketer: What do you expect over the next two years?

Chalozin: It will definitely grow. comScore is reporting that in the US there are about 15 billion video ads being delivered a month. This number will increase upward to between 20 billion and 30 billion a month.

Currently, the interactive part is 15% to 20% of the overall number. We are seeing more and more brands involved. We start with the more obvious advertiser. For example, an advertiser that first, understands interactivity, and second, one that it makes more sense for viewers to interact with, which could be entertainment and gaming-type brands, where you can easily tune in. You see this with the "Puss in Boots" campaign or more recently, with The Walt Disney Co.'s "Oz the Great and Powerful," where there's more obvious interactive capabilities.

eMarketer: Entertainment is clearly a winner for interactive video ads. Are some industries better suited than others?

Chalozin: The three biggest verticals right now from a spending standpoint are CPG, then automotive, and finally, retail. Out of the top five, automotive is really the one you'd expect to be a true fit for this type of technology.

As we're expanding, we're breaking into verticals that you would think do not cater well to the advertisers such as CPG, quick-service restaurants and even pharmaceuticals. We've been creating what we call "productized capabilities," where we'll have something that makes sense and resonates with each vertical.

For example, with pharmaceuticals, one element we can utilize is the warning text that lists side effects. Without interactivity in an ad, it was difficult for drug companies to include it inside of the video. They needed room to have the text next to the video. Because of regulations to include this information, most did not run video ads.

"The three biggest verticals right now from a spending standpoint are CPG, then automotive, and finally, retail."

Now they're using the technology to do a split screen. For example, you could see an ad on ABC.com with half of it having automatically scrolling text, and the other half is the video. That space can show those side effects or can even be used to find a local pharmacy and see if it's in stock, if it's an over-the-counter [drug], and so forth. We're creating capabilities that make more sense for different verticals. And by doing that, we're increasing the addressable market dramatically.

eMarketer: What are brands concerned about when considering interactive video ads?

Chalozin: It's a lack of understanding of what the actual value is that they can get from the ads. The actual value is that big picture question: "If I run interactive video for my Pampers campaign, how do I know it helped me sell more diapers?" It scares them.

In addition, new clients who have never worked with these ads usually ask, "Why would people interact with it?" They know about banners in a more general way in that very few people actually click on them—and therefore ask, "If it's those numbers, why would we go through the trouble of having all these bells and whistles?" But we're showing over and over again that the numbers are actually very high for interactivity—way beyond expectations.

eMarketer: What improvements are you looking for over the next few years?

Chalozin: The industry needs to push forward with measurement. We are doing more business with brands and getting a better sense of what drives marketers and CMOs. They are asking what the actual effectiveness of it is, and I still don't have the answers.

They want to know if we can correlate it with other things that can be converted in dollars. We've been thinking about this in a couple of ways. We'd like to connect it to offline measurement or other types of traditional marketing channel metrics, including brand awareness or recall, and ultimately correlate our metrics. We are looking for metric access—where more senior people who are looking at an overall marketing expense can have a unified metric. At the end of the day, interactive video is only one component in the overall breadth of the marketing plan.

eMarketer: What best practices can you share?

Chalozin: First, good creative works. Time and time again, we see that you should go the extra mile and build something that is appealing and exciting such as the "Puss in Boots" dancing cat campaign. That campaign was amazingly successful. It wasn't because it's "Puss in Boots" and cool, but because it leveraged these assets in a nice way.

Another is to understand the medium. For example, take a Netbook Pro ad. Most people would not buy a $2,000 laptop directly from a video, though we are beginning to get requests to have shopping cart integration.

However, what's relevant is that we are seeing people spend lots of time watching content or a how-to video, as well as reading reviews and browsing product carousels. By understanding the medium, you can have the capabilities fit the experience the consumer is in.

Don't bombard people with too many options. We've seen a tendency toward this because the technology is easy and allows you to do many things. For example, if you are a car manufacturer, you can have an explanation about the car, location of the closest dealer, a discount offer, a test drive, and so forth—and bombard the consumer. At the end of the day, we see an overall decrease of performance with too many options.