

BRIGHTROLL PUBLISHER SURVEY 2010

BrightRoll.com



Fall 2010

From Agencies to Publishers

Each year, BrightRoll surveys a pool of U.S.-based advertising agency executives and media buyers in an effort to gauge their view of the current landscape of the online advertising industry. Of particular interest is their familiarity with and understanding of online video advertising.

However, this year in addition to the annual agency side survey, BrightRoll saw the need for a publisher side survey. The survey was created to capture another snapshot of the online video advertising space, this time from a publisher perspective. Those polled identify both strengths and weaknesses, serving as a guide for those, like BrightRoll, who are committed to developing this industry to its full potential.

“Online video advertising is well on its way to becoming the go-to tool for brands looking to connect with audiences in a way that traditional forms of advertising just can’t match.”

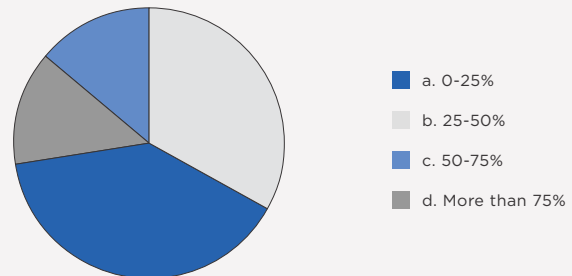
“As this space continues to evolve and mature, we realize the importance of engaging not only with our advertisers, but also with our publisher partners to get a more complete picture of how we’re doing in relation to both the buy and sell side of our business.”

- Tod Sacerdoti, CEO & Co-Founder

Working with Online Video Ad Networks

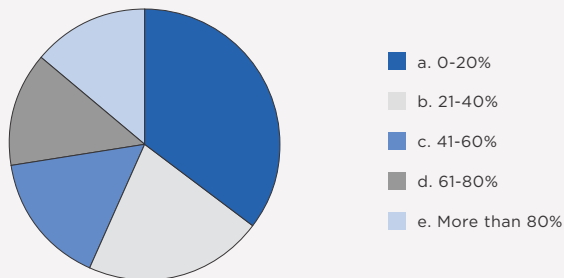
As consumers continue to turn to online video to watch their daily news and entertainment, advertisers and publishers alike have recognized this medium as a valuable way to both reach consumers and monetize online video content. As a result, video advertising is outpacing other forms of online advertising by at least 25%, according to two-thirds of respondents.

Over the past six months, how much would you say online video advertising has grown on your site in comparison to other forms of advertising?



In addition to overall growth in online video advertising, partnerships with ad networks have also increased as evidenced by BrightRoll’s survey results depicting nearly two-thirds of respondents selling over 20% of their potential ad space through a network. Respondents cited access to high-quality advertisers (33%), increased fill rate (28%) and increased ability to sell off remnant inventory (20%) as the factors most responsible for their decision to work with ad networks. High CPMs were also listed as an incentive, indicating that video ad networks are viewed as an effective means for driving quality site traffic.

How much of your potential ad space is sold through online video ad networks?

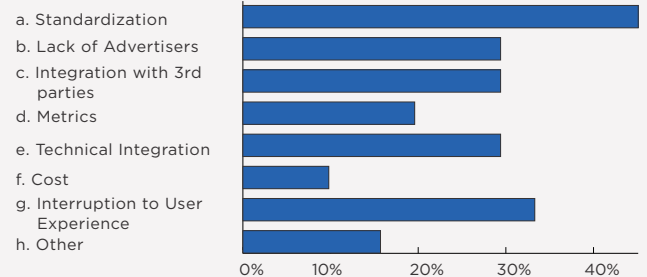


Publishers did voice some concerns about working with online video ad networks including standardization concerns, difficulty of integration and higher implementation times than those associated with display networks. However, many of these are reflective of the general concerns with the online video advertising industry as whole. Some general industry concerns also include interruption to the user experience (33%), integration with third parties (29%), lack of advertisers (29%), metrics (20%) and cost (10%).

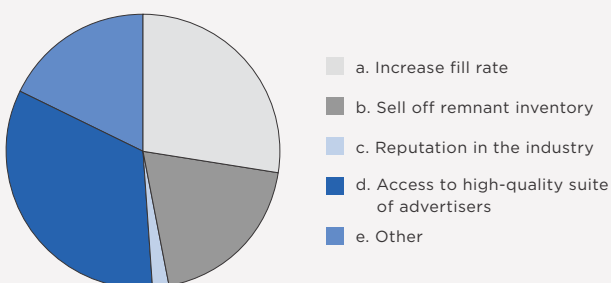
When asked how publishers felt video ad networks differed from display networks, the majority of results were positive.

Higher CPMs, quality of advertisers, targeting capabilities, transparency and the engaging nature were all noted as perks of working with an online video ad network as apposed to display only. In addition, multiple respondents cited communication, more personal relationships, and involvement in campaigns as additional benefits . One specific comment read, "Video networks are much more hands on and offer far better partner/publisher management."

What are the largest barriers to online video's growth, in your opinion?



If you work with an online video ad network, what is the main factor that led you to work with them?

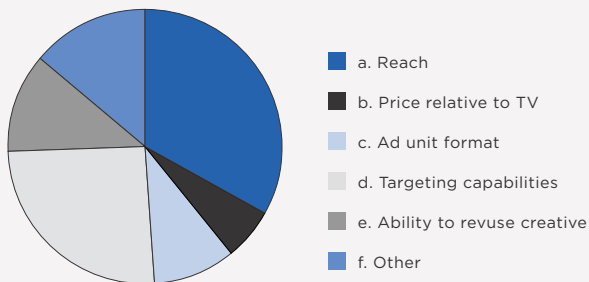


However, that being said the advertising industry is still seeing a shift in creative dollars moving from traditional TV advertising to online video. According to BrightRoll's 2010 agency survey, 54% of executives and media buyers plan to allocate their creative budget to interactive pre-roll, while 20% plan to invest in branded entertainment. These units leverage online video's sight, sound and motion in order to engage consumers.

The Brand's Perspective

In addition to sharing their own outlook on online video advertising, publishers were also asked to reflect any specific concerns voiced by their brand partners. As a result, reach (33%) and targeting capabilities (26%) stood out as the most significant concerns held by brands, highlighting room for improvement in these areas.

Which aspect of online video advertising do the brands you work with have the most significant concerns about?



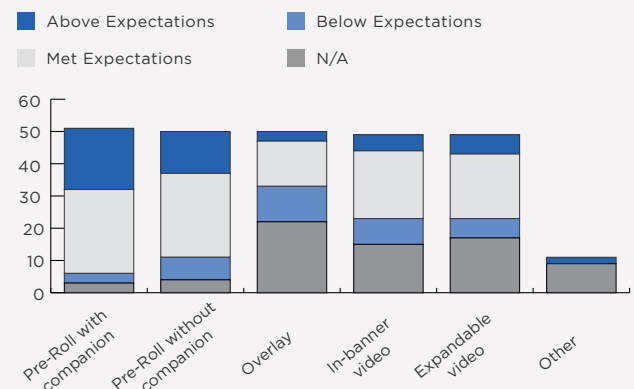
Efficacy of Online Video?

Eighty-eight percent of those surveyed indicated that their clients would be more likely to increase spending on online video if they had research demonstrating its efficacy. Additionally, 52% of respondents from BrightRoll's agency survey echoed the same sentiment, stating that their clients had previously asked about research into the effectiveness of online video advertising. BrightRoll has long since seen the need for greater research and development highlighting the efficacy of online video advertising. These findings further emphasize the need for credible research in this space, particularly pertaining to individual campaigns as a means to help advertisers optimize future campaign spend for maximum impact.

Ad Units - What Works?

Pre-roll continues to be viewed as the most effective means to reach consumers with 94% reporting pre-roll units with companion banners either met or exceeded their expectations. Removing the companion banner had some effect on performance, with 85% reporting met or exceeded expectations using pre-roll alone. Expandable, in-banner and overlay video trailed slightly, with 81%, 76% and 60% of respondents rating them as meeting or exceeding expectations, respectively.

Please rank how the following ad units have performed relative to your expectations:



VAST and VPAID: What does it all mean?

As online video advertising continues to mature, standardization is becoming increasingly important for the success of the industry's growth and development. The Interactive Advertising Bureau (IAB), along with publishers, advertisers, ad networks and other industry stakeholders have answered the calls for video standards with two initiatives: Digital Video Ad Serving Template (VAST) and Digital Video Player-Ad Interface Definitions (VPAID). According to the IAB, VAST is designed to standardize communication protocol between video players and servers. The VPAID

standard is intended to meet the needs of emerging in-stream ad formats such as both non-linear video ads and interactive video ads, thus aiming to address the known interoperability issues between a publisher's video player and different ad technology.

VAST and VPAID certification are especially important for publishers looking to sell excess inventory through third parties — including ad exchanges — many of which use incongruent technologies. The major players in online video have responded by largely accepting standardization efforts. BrightRoll's publisher survey shows nearly 78% of publishers claim to be VAST compliant, and 69% said their systems are VPAID compliant.

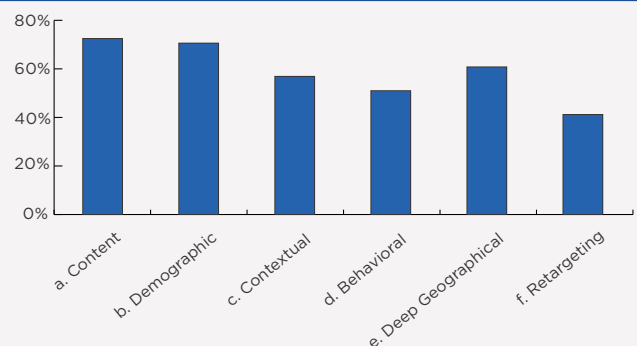
In November 2009, the IAB revisited its VAST definitions in response to an increase in video ad networks, each of which was using their own their own network-specific technologies and metrics. The result: VAST 2.0, which provides increased flexibility and allows display networks easier delivery of video ads. Of the publishers surveyed, 77% responded that their sites were compliant with both VAST 1.0 and 2.0, 14% said they are VAST 1.0 compliant only, with 8% VAST 2.0 compliant only.

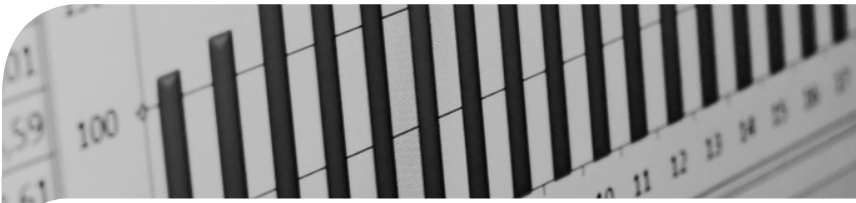
The VAST and VPAID standards are necessary and important for successful industry growth. Without standard formatting, ensuring compatibility across technologies would be close to impossible, therefore stunting growth and generating frustration for publishers, advertisers, and networks combined. In addition, these standards make it easier to sell unsold inventory to third parties, such as BrightRoll's own ad exchange BRX (www.brx.com), now that all players speak the same language. Plus, VAST- and VPAID-compliant agencies and ad networks are able to upload to publishers' sites and preserve existing reporting and optimization tools with ease.

Hot Topic: Targeting

BrightRoll's 2010 agency survey revealed that 32% of respondents saw targeting as online video's most valuable trait, ahead of ad unit format (21%), reach (19%), price relative to TV (10%) and the ability to reuse creative (10%). This year's publisher survey shows publishers are largely receptive to third party targeting if it leads to an increase in CPMs. Publishers did, however, express varying levels of comfort with targeting techniques. Content targeting (73%) proved to be the most widely accepted category followed by demographic (71%) and deep geographical (61%) targeting. A majority of publishers (57%) said they were comfortable allowing third parties to use contextual retargeting, while 51% would allow behavioral targeting. Retargeting however, currently noted as a contentious and somewhat misunderstood practice in online advertising, received the least amount of support among publishers — 41% of respondents said they would allow third parties to use video retargeting capabilities on their sites, underscoring the need for further education not only regarding the execution of this technique but also the benefits offered for both advertisers and consumers when this method of targeting is employed correctly.

If it led to a rise in CPM rates, which of the following forms of targeting would you allow a third party to use?





Industry Outlook - Moving Forward

The majority of survey respondents (63%) predicted that CPMs would be higher in the second half of 2010 leading into 2011. Such forecasts are a testament to online video advertising's growing viability, but respondents also suggested that search would reign supreme, possibly generating the highest revenue in 2011. Respondents pinpointed several other areas of anticipated revenue generation, including mobile, rich interactive media and in-game video, highlighting video's trend toward monetizing non-video content. Survey respondents feel in-banner display will edge out both in-banner video and in-stream video (pre-roll and mid-roll) as revenue generators in 2011.

Conclusion

Although 2010 began with falling CPMs and economic uncertainty, publishers have expressed optimism for the future, predicting CPMs will rise in 2011 and online video will outpace all other forms of online advertising by nearly 25%. Looking at both the agency side and publisher side survey results it becomes clear that both sides agree: standardization efforts, technology innovation, effective targeting capabilities, verifiable reporting tools and mobile applications will be the factors that drive growth for 2011 in the online video advertising industry.

BrightRoll is confident in the future of online video advertising while being realistic about those areas that still need attention. BrightRoll is committed to being a leader in the industry by means of education, quality inventory, scale, and trustworthy products and business practices.

About BrightRoll

BrightRoll is the leading provider of online video advertising services, having served billions of advertisements since it was founded. BrightRoll helps major brands and agencies execute "smart video ad campaigns" across the industry's leading publishers, including three-fourths of the top 100 online media properties in the United States. In addition to its network of high-quality, brand-safe sites, BrightRoll

helps the world's largest buyers of online video advertising achieve their campaign goals with efficient and transparent access to video inventory through the BrightRoll Exchange (BRX). BRX is a self-service, online video ad-buying platform that offers unmatched scale, efficiency and return on investment. BrightRoll is a privately held, venture-backed company and is headquartered in San Francisco, California.

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