Top Ten Things Marketers Need to Know About:

Dynamic Ad Insertion (DAI)

April 2013

Background: The business of monetizing on demand video is linked to the three-letter acronym that is "DAI" – for Dynamic Advertising Insertion.

Strategically, DAI is a way to do two things: 1) Refresh advertisements that had been "baked-in" to a video title, prior to it being stored on an on demand server, and 2) create new campaigns on the fly. Further, DAI ads can be short (:10) or long (:30+); addressable or not. In that sense, DAI creates perpetual value for stored VOD titles, especially when compared to the "instant expiration" of linear as a promising new revenue stream.

Technologically and tactically, a solid vendor and equipment base exists for the insertion, campaign management, and measurement features needed -- in a crowded, multi-industry standards environment.

Operationally, engaged **cable companies** like what they see so far -- but as with so many things, some are farther ahead than others. **Content providers** also like the promise of DAI, but urgently need for it to extend beyond cable VOD assets to other platforms they use for on-demand – like for serving video over IP to PCs, tablets and phones.

CTAM is resourcing a **DAI working group**, populated by executives in cable company content provider and vendor disciplines. Mission: To provide a forum for collaboration to propel the momentum that is so encouraging to the community of early DAI partakers. No small feat, and we will need your help.

With no further ado - **here's the Top 10** things cable marketers should know about DAI:

1. _**DAI matters as a way to (finally!) monetize VOD.**_ The business of storing content in the network (not in the DVR) for anytime access by viewers began in cable with movies.

   At the time, business arrangements between cable companies and content providers were predictably "chicken and egg-y" – **cable companies faced sizable capex** to buy the storage and streaming pumps needed for VOD, so they didn't want to spend a lot on programming too. Content providers, not thrilled about the economics, didn't exactly offer up their greatest programming.

   Over time, VOD content did become more attractive – and continues to do so. **Just look at "marathon viewing," which recently emerged** as a consumer viewing reality. Suddenly, the inspiration and mechanisms to refresh stored ads into episodic TV make more sense than ever. Consider: In 2012, **cable subscribers viewed 9 billion VOD assets**. What's that worth in opportunity cost? "Ad views" are different than "assets." CPM refers to the rate associated with every 1,000 people who actually watched the ad.

   Without a Nielsen, Rentrak, or Canoe-styled rating to indicate how many people viewed the VOD program containing the ad, what we know is that it's a big number – that's difficult to model. But! Some braves souls are,

like **Bill Niemeyer**, Senior Analyst with **The Diffusion Group**, who puts the revenue potential for DAI at $5.7 billion, over time.

As reference, the entire local cable ad sales business is about $4 billion, annually; last year, **Comcast** logged $2 billion, **Time Warner Cable** booked $1 billion, and the remainder is divvied between **Charter**, **Cablevision**, **Cox**, and so on.

Most of that money is good old-fashioned local ad insertion on linear networks.

2. ***DAI momentum is building, within content providers and cable companies, but there are hurdles to clear***. The early **DAI pioneers – Comcast, Canoe, and Lionsgate**, among others, tend to talk about DAI in determined tones. "We need DAI," said **Lionsgate CEO Jon Feltheimer**, during last year's **CTAM Summit**, in Orlando. "Our FearNet channel has 30 million subscribers – without DAI, we can't monetize it."

On the MSO front, both Comcast and Time Warner Cable, among others, are equipped and/or partnered with the resources required for DAI.

What needs to happen now, pioneers within the DAI community agree, are mechanisms to drive usage, awareness, and transparency. That means growing the DAI universe, which is a subset of 55-60 million TV households. It also means making title-level VOD viewership as transparent (to agencies, especially) as it is for linear TV – otherwise, they have to build performance data "brick-by-brick" (network-by-network).

By sharing title-level data, content providers make it easier for agencies and advertisers to understand the performance of the DAI platform. That stands to make it easier for them to plan and buy ads -- which should make them more excited about participating.

3. ***DAI technology is available, works, and is in market***. Within the CTAM community alone, **some 14 technology providers** are building or are in-market with the required components for DAI launches.

Among them: **Arris**, **Black Arrow**, **Canoe**, **Cisco**, **Ericsson**, **FreeWheel**, **inDEMAND**, **Motorola**, **Nielsen**, **Rentrak**, **thePlatform**, **Technicolor**, **Visible World**, and **Vubiquity** (formerly Avail-TVN.)

CTAM will provide a more detailed profile of each participant's role in the DAI ecosystem closer to the time of The Cable Show.

4. ***MSO DAI readiness varies, but "spreading the load" of new products/services is common in cable***. Think about it: **Comcast went first with DOCSIS 3.0**, while **Time Warner Cable led with switched digital** video and OCAP. **Cablevision led the industry on remote DVR**; **Cox on 1 GHz** upgrades.

The cable company side of the industry is uniquely collaborative when it comes to sharing the load that is testing out new technologies, because they don't compete with one another. The fact **that Comcast is in the pole position with DAI** should be an indicator that whatever it learns will be made available in one way or another to like-minded MSOs.

That said, some **content providers are concerned** that MSO readiness for DAI isn't enough -- especially given the rapid growth of newer on-demand platforms, like TV Everywhere. As it is, several networks will include VOD DAI as part of their TV Everywhere offers in the 2013 Upfronts.

And, some advertisers and agencies are concerned about overall VOD opaqueness (see #2.) So – DAI is here and gaining momentum, but inefficiencies remain in terms of platform reach and performance transparency.

5. ***For content providers, the ideal DAI setup needs to span all video platforms – linear, traditional VOD, and TVE***. Advertisers want to buy across linear TV, VOD, and online/TVE – makes sense, sounds wonderful. Except for the **reconciliation nightmare** that is the pulling of all that disparate play-out information from multiple platforms.

   As it is, on outbound programming, some **content providers are already creating 18 or more versions** of popular shows, just to satisfy the range of services and devices that want to watch them.

   For content providers, **scale means when that ad is on VOD, it should be on TVE too** – which is creating a heightened sense of urgency for a DAI that runs across platforms, to ease the load of duplicative work.

   Some even liken it to being on a "**runaway train headed for dead man's curve**," because they're simultaneously launching DAI on-line, and TVE. The good news is, it's volume; the bad news is that it's needed sooner rather than later – by year-end 2013, ideally.

   In terms of impressions, FearNet's advertising rep, Sony Pictures TV, sells based on "measured audience guarantees," not ratings estimates. Whenever someone selects a movie from the FearNet VOD menu, the ad that's next in line plays. A different viewer seeking the same movie may see something different. (For more on this, see the link to Stewart Schley's "It's Alive/DAI" piece in the "Additional Reading" section, below.)

6. ***Speaking of measurement: DAI still needs Nielsen's "ODC3," or something like it***. Monetizing VOD content with advertising, like monetizing any other type of content with advertising, requires data on who watched what. Nielsen's "**On-Demand C3**," abbreviated "ODC3," was targeted for availability in Q1'13; that timeline came and went. No word on when that might happen – but regardless, a way to measure viewership (**Rentrak**, **Nielsen**, **Canoe**, etc.) is a vital element of DAI.

   Meanwhile, Canoe Ventures in February (2013) began pursuing accreditation from the **Media Ratings Council** for a VOD reporting service that provides "ad impression delivery reports to its National Programming clients who utilize the Canoe VOD Dynamic Ad Insertion service."

7. ***The answer could be right under our noses: SCTE 130***. Yes it's complex. Yes it's in many parts. But the entire point of it, from the very beginning, was to make it so that when an ad break arrives during an on-demand stream, the decision could be made on-the-fly as to what to put into its place, *across platforms*. And, it is an **ANSI-accredited**, meaning official, standard.

   SCTE 130 happened because cable companies were tired, in general, of "**monolithic**," proprietary vendor relationships. They wanted **more choice** in products/services, more influence on vendor product roadmaps, and swifter time-to-market. For set-tops, cable modems, VOD servers, and **ad insertion**.

As a result, the SCTE 130 standard **chopped the technical work of ad insertion into pieces**. Five pieces. Different vendors lined up behind the different "pieces" – some around campaign management, others around content information, some around "placement opportunities." (So called because ad insertion is inherently different in on-demand -- there's not an avail that needs to be filled at a specific time.)

Practically and operationally, the complexities of dealing with five groups of vendors (some spanning several SCTE 130 categories) **overwhelmed the business side of the industry**, at least initially.

Bottom line: SCTE does what DAI needs. Each of its five parts can be "innovated upon" independently. And, the individual components can fairly easily be swapped out as desired (e.g. vendor X's placement opportunity products are better than vendor Z's, but you're using vendor Z – so you switch to vendor X without major issues.)

8. ***Some DAI "standards" and non-standard implementations of DAI are bumping into each other in the wider on-demand marketplace.*** **VAST** is a great example – it stands for "Video Ad Serving Template," and was developed in 2008 by the **IAB** (Interactive Advertising Bureau.) The latest version, VAST 3.0, was released in July of last year. Technically, VAST uses a "universal XML" schema for serving ads online. Unlike SCTE 130, VAST is a specification, not a standard.

   These days, cable company technologists are very focused on not making other industries "conform" to cable – which is why there's so much activity in "surfacing" APIs to reach into back office components, like the web-based community.

   However, in the case of **SCTE 130**, it is arguably **more "tricked out"** than VAST and other "playlisting" technique in use in the online world. It's worth a closer look, anyway. It seems at least plausible that the two could "talk to" each other.

9. *How "EIDR" and "Metadata 3.0" fit into DAI:"* EIDR stands for **Entertainment Identification Registry**, and exists to uniquely identify video assets, including ads. It's an enhancement to the work and products of DAI, because it helps to track ads and report that information back to advertisers.

   Metadata 3.0: If you've heard it expressed as "ADI 1.1," it's the same thing, but renamed and newer. Historically, ADI 1.1 provided descriptive information about VOD content along with terms and offers for providing VOD to subscribers. Metadata 3.0 continues to provide that same functionality while adding three new types of metadata:
   - Signaling – A list of precise time indexes in a VOD asset, which are candidates for ad insertion or replacement.
   - Advertising – A special set of metadata that is pertinent to ads (as opposed to movies/shows) which references Ad-ID's schema. **Ad-ID** is the industry standard for identifying advertising assets (broadcast, print and digital) across all media platforms.
   - Placement Opportunity – The rules that govern what ads may be placed at each advertising opportunity (again, a "placement opportunity" differs from a traditional "avail" because the format is time-insensitive.)

10. ***CTAM is corralling the market makers of DAI, but can only go so far.*** As the saying goes: You can lead a horse to water, but you can't make it drink. DAI is a money maker, the technologies exist to do it, and its early participants like it. What DAI needs now is more launches, more awareness, and more usage.

Additional reading:

"Video on Demand Advertising Workflow Report Update
http://www.ctam.com/resources/on-demand/pages/on-demand-advertising.aspx

"Hey Upfronts: Ready for a Dose of VOD?", Feb. 21, 2013, Zonewire.net, by Stewart Schley:
http://zonewire.net/telescope/page/hey-upfronts-ready-for-a-dose-of-vod

"It's Alive: Dynamic VOD Ads are Up, Running and Not That Scary," Feb. 13, 2013, Zonewire.net, by
Stewart Schley: http://zonewire.net/telescope/page/its-alive-dynamic-vod-ads-are-up-running-and-not-that-scary

"The Year of DAI?", Dec. 24, 2012, *Multichannel News/Translation Please:* http://translation-please.com/column.cfm?columnid=456

4As National TV/Radio Committee: Q&A on Nielsen's Extended Screen and On-Demand C3
Measurements, May 2012: http://www.aaaa.org/news/bulletins/Documents/7409.pdf

"VOD: Cable's Solution to the Limits of Time," March 12, 2012, Zonewire.net, by Stewart Schley:
http://zonewire.net/telescope/page/vod-cables-solution-to-the-limits-of-time