TURBO CHARGING

YOUR SKIPPABLE PRE-ROLL CAMPAIGN
SPEND ON DIGITAL VIDEO EXPECTED TO DOUBLE OVER THE NEXT FEW YEARS!

Digital Video Spend

Source: MAGNA GLOBAL December 2016 US forecast
Magna Global Pours $250 Million Into YouTube Ads as TV Audiences Drop
By Lauren Johnson | May 4, 2016

Interpublic Group's Magna Global has struck a multi-year deal with YouTube to invest $250 million into digital video. It's YouTube's largest upfront deal ever for its premium inventory.

Over the next three years, Magna Global will get "competitive rates" on Google Preferred's unskippable ad inventory as well as access to measurement tools and top creators. In the second and third year of the deal, the media-buying firm specifically plans to address an "innovative learning and measurement partnership" that will examine how to balance digital and traditional ad budgets. Magna Global buys media on behalf of big brands like Coke and Johnson & Johnson.

Unlike other splashy digital deals that typically take the money from other parts of a digital budget, Magna Global's $250 million investment in YouTube advertising will come straight from its TV budget. The $250 million investment is four to five times Magna Global's typical YouTube budget. As a result, the firm will spend less on traditional marketing overall this year as TV ratings dip.

According to Magna Global, 18- to 49-year-olds watch an average 26 hours of linear TV per week, down from 32 hours in 2009. The firm estimates that global ad spend overall grew 3.2 percent in 2016, but digital grew at a 14.9 percent pace. YouTube's $250 million investment is a response to that trend.

U.S. Ad Spending Growing at Best Pace in Six Years, New Magna Global Forecast Says
Magna expects 2016 to see the largest increase in United States ad spending in six years. The IPG Mediabrands agency revised its forecast for the year on Wednesday, predicting ad revenue in the U.S. will grow to $179 billion, a 6.3% increase. In June, Magna had predicted a 6.2% jump in ad revenue.

A Huge Ad Company Just Shifted $200 Million Of Its TV Money To Youtube – And The Reason Why Ought To Terrify TV Execs
SO WE DID SOME RESEARCH TO MAXIMIZE THOSE INVESTMENTS
WE SET OUT TO

1. Learn more about ad skipping behaviors

2. Determine what, if anything, advertisers can do to maximize the impact of their skippable pre-roll campaigns
**Participants**
Participants recruited from nationally representative online panel across PC and Smartphone (n=11,338).

**Survey**
Initial survey with demographic and media consumption questions. Participants asked to turn on their webcam so that attention and emotion could be tracked (not required).

**Ad Exposure**
Participants randomized into test cells and selected 2-3 pieces of content to view to mimic a typical video watching experience. All content appeared on mocked-up video webpages. All participants were given 2-3 pre-roll ad exposures.

**Measurement**
Post exposure survey to measure traditional brand metrics and qualitative feedback.
THE SCOPE WAS ROBUST

- Devices: 2
- Industry Verticals: 8
- Brands: 11
- Types of Ads: 23
- Test Cells: 108
- Sample Size: 11,338
SKIPPING IS A REALITY
MOST PEOPLE SKIP, BUT THEY DO STICK AROUND SLIGHTLY LONGER FOR 30 SECOND ADS

Completion Rate

- Skipped: 65%
- Completed: 35%

Average # of Seconds Prior to Skip

- 15 Sec Ad: 5.5 Sec Avg
- 30 Sec Ad: 7.4 Sec Avg

(Mobile/PC, skippable) Overall (15/30 sec) N = 1444, Skipped 15 sec N = 389, Skipped 30 sec N = 544
IN GENERAL, IF PEOPLE ARE GOING TO SKIP, THEY DO SO RIGHT AWAY

Percent of Ad Viewed Over Time Among Skippers

Can skip Branded Content

Can skip 30 second ads

Can skip 15 second ads

% OF AD COMPLETED

% OF VIEWERS WATCHING AD

10% 15% 20% 25% 30% 35% 40% 45% 50% 55% 60% 65% 70% 75% 80% 85%

100% 75% 50% 25%

(Mobile/PC, 15/30/60+ sec skippable) Skipped ads N = 1641
OVERWHELMINGLY, PEOPLE SKIP BECAUSE IT’S ENGRAINED BEHAVIOR

Primary Reason for Skipping

- 76% I Usually Skip Ads
- 24% Other

- 14% Ad was not relevant to me
- 3% Ad was too long
- 3% Ad was not enjoyable
- 3% I didn’t like the brand
- 1% Other

(Mobile/PC, 15/30 sec skippable) Skipped ads N = 767
PEOPLE IN MARKET MORE LIKELY TO STICK AROUND BASED ON LIKEABILITY

Primary Reason for **Not** Skipping

<table>
<thead>
<tr>
<th></th>
<th>In Market For Product (A)</th>
<th>Not In Market For Product (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>40%</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>30%</strong></td>
<td></td>
<td></td>
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<tr>
<td><strong>20%</strong></td>
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<td></td>
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<tr>
<td><strong>10%</strong></td>
<td></td>
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<tr>
<td>Ad was enjoyable</td>
<td></td>
<td></td>
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<tr>
<td>I liked the brand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The ad was short</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I didn't know I could skip</td>
<td></td>
<td></td>
</tr>
<tr>
<td>The ad was relevant</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I &quot;tuned out&quot;</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(Mobile/PC, 15/30 sec skippable) In Market N = 151, Not in Market N = 293
A/B = Statistically significant difference between test groups at >= 90% confidence
PEOPLE IN MARKET MORE LIKELY TO STICK AROUND BASED ON LIKEABILITY

Primary Reason for Not Skipping

<table>
<thead>
<tr>
<th>Ad was enjoyable</th>
<th>I liked the brand</th>
<th>The ad was short enough to wait</th>
<th>I didn't know I could skip</th>
<th>The ad was relevant to me</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>40%</td>
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<td>30%</td>
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<td>20%</td>
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<tr>
<td>10%</td>
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</tbody>
</table>

For people in market, not skipping is more about brand affinity

A/B = Statistically significant difference between test groups at >= 90% confidence

In Market N = 151, Not in Market N = 293
(Mobile/PC, 15/30 sec skippable)
EVERYONE ELSE TENDS TO JUST STICK IT OUT

Primary Reason for Not Skipping

(Mobile/PC, 15/30 sec skippable) In Market N = 151, Not in Market N = 293
A/B = Statistically significant difference between test groups at >= 90% confidence

Ad was enjoyable | I liked the brand | The ad was short enough to wait | I didn't know I could skip | The ad was relevant to me | Other | I "tuned out"

People not in market mostly wait it out
SO...

CAN ADVERTISERS DO ANYTHING TO HELP LOWER SKIP RATES?
IN SOME INSTANCES, WE CAN IMPACT SKIP RATES THROUGH TARGETING

<table>
<thead>
<tr>
<th>Impact Skip Rate?</th>
<th>Past Purchase of Brand</th>
<th>Pre-Existing Brand Opinion</th>
<th>Age</th>
<th>In-Market for Product</th>
<th>Frequency of Online Video Viewership</th>
<th>Gender</th>
<th>Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>No difference</td>
<td>No difference</td>
<td>No difference</td>
<td>No difference</td>
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</tbody>
</table>
HOWEVER, IT’S HARD TO MOVE THE DIAL ON SKIP RATES BY CHANGING THE AD OR WHERE IT’S RUN

Impact Skip Rate?

<table>
<thead>
<tr>
<th>CREATIVE STRATEGIES</th>
<th>CONTENT STRATEGIES</th>
<th>DEVICE</th>
<th>AD LENGTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMOTION</td>
<td>CONTENT TYPE</td>
<td>PC/MOBILE</td>
<td>15 SEC/30 SEC/60+ SEC</td>
</tr>
<tr>
<td>EMOTION</td>
<td>CONTENT LENGTH</td>
<td></td>
<td></td>
</tr>
<tr>
<td>No difference</td>
<td>No difference</td>
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<td>Yes</td>
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<tr>
<td>No difference</td>
<td>No difference</td>
<td></td>
<td>Skip less if shorter ad</td>
</tr>
</tbody>
</table>

People do stick around longest for branded content, however

(PC only, 15 sec skippable) Emotion N = 536, Human Presence N = 522, Story Arc N = 537, Branding by Skip Button N = 504, Story vs. Product Focus N = 196, Color Saturation N = 220, Content Type N = 1618, Content Length N = 846, (Overall) PC N = 910, Mobile N = 534, (PC/Mobile) 15 sec N = 685, 30 sec N = 759, Branded Content (60+ sec) ad = 838

■ = Statistically significant difference between test groups at >= 90% confidence
BUT
THAT’S
OKAY.....

EVEN

SKIPPED ADS
HAVE VALUE
WHILE THOSE WHO COMPLETE ARE MORE LIKELY TO BE PERSUADED...

Impact of Skipped Ads on Persuasion Metrics and Brand Attributes

Impact of Skipped Ads on Persuasion Metrics and Brand Attributes

**PURCHASE INTENT**
- Skipped Ads: +11% ▲▲
- Unskipped Ads: +5%

**BRAND FAVORABILITY**
- Skipped Ads: +12% ▲▲
- Unskipped Ads: +0%

**BRAND IS RELEVANT TO ME**
- Skipped Ads: +11% ▲▲
- Unskipped Ads: +3%

**IS A BRAND I WOULD PAY MORE FOR**
- Skipped Ads: +1%
- Unskipped Ads: +7% ▲▲

**IS A PREMIUM BRAND**
- Skipped Ads: +0%
- Unskipped Ads: +8% ▲▲

(Mobile/PC, 15/30 sec skippable) Skipped ads N = 933, Completed ads N = 511
▲ = Statistically significant difference between test and control at >= 90% confidence
A/B = Statistically significant difference between test groups at >= 90% confidence
ATTENTION TO PRE-ROLL ADS IS VERY HIGH REGARDLESS OF AD LENGTH

Average Attention Over Time For 15 and 30 Second Ads

Based on eye tracking data

(PC only, skippable) 15 second ads N = 46, 30 second ads N = 37
AND CONSUMERS ARE PAYING ATTENTION EVEN IF THEY EVENTUALLY SKIP

Average Attention Over Time For Skipped and Completed Ads

- **Not Skipped**
- **Skipped**

Based on eye tracking data

(PC only, 15/30 sec skippable) Skipped ads N = 109, Completed ads N = 119
 WHICH LEADS PEOPLE TO REMEMBER THE BRAND EVEN WHEN THEY SKIP

Impact of Skipped Ads on Brand Recall: Deltas (Test - Control)

Skipped Ads - A

Unskipped Ads - B

▲ = Statistically significant difference between test and control at >= 90% confidence
A/B = Statistically significant difference between test groups at >= 90% confidence

UNAIDED BRAND RECALL

AIDED BRAND RECALL

(Mobile/PC, 15/30 sec skippable) Skipped ads N = 933, Completed ads N = 511
▲ = Statistically significant difference between test and control at >= 90% confidence
A/B = Statistically significant difference between test groups at >= 90% confidence
THE VALUE OF THE AD VARIES BASED ON HOW MUCH IS COMPLETED

Value of Impression based on Unaided Brand Recall

Paying incrementally could be cost effective

AN AD THAT WAS ABOUT 40% COMPLETED IS WORTH 23% OF A COMPLETED AD

INDEX OF UNAIDED BRAND RECALL

% OF AD COMPLETED

100%
75%
50%
25%
10%
20%
30%
40%
50%
60%
70%
80%
90%
100%

$0.15
$0.23
$0.49
$0.56

$1
SKIPPING IS A REALITY, BUT THERE ARE STILL WAYS TO OPTIMIZE
RECOMMENDATION #1

SUPPLEMENT WITH 6 SECOND NON-SKIPPABLE ADS
**UNSURPRISINGLY, PEOPLE ON THEIR PHONE SKIP MOST ON-THE-GO**

Impact of Location on Skip Rates for Smartphone Users

- **At home:** N = 447
- **At work:** N = 43
- **On-the-go:** N = 43

A/B = Statistically significant difference between test groups at >= 90% confidence

**67%**

**54%**

**84%**

<table>
<thead>
<tr>
<th>Location</th>
<th>% Who Skipped Ad</th>
</tr>
</thead>
<tbody>
<tr>
<td>AT HOME - A</td>
<td>67%</td>
</tr>
<tr>
<td>AT WORK - B</td>
<td>54%</td>
</tr>
<tr>
<td>ON-THE-GO - C</td>
<td>84%</td>
</tr>
</tbody>
</table>

(Based on 15/30 sec skippable. At home N = 447, At work N = 43, On-the-go N = 43. A/B = Statistically significant difference between test groups at >= 90% confidence)

**BUT DON’T FEAR: THAT’S WHERE 6 SECOND ADS COME IN**

6 second ads are a new shorter ad product that isn’t skippable

**MOBILE OPTIMIZED**

6 second non-skippable ads are already targeted towards people on smartphones and on-the-go

0:06 SEC
A 6 SECOND AD ON ITS OWN HAS IMPRESSIVE VALUE COMPARED TO A SKIPPED AD

Impact of 6 Second Ads on Brand Metrics

- Skipped Ad - A
- 6 Sec Non-Skippable Ad - B

Aided Brand Recall: +47% ▲
Brand Favorability: +12% ▲
Purchase Intent: +5% ▲

(Mobile/PC) 6 second non-skippable ad N = 493, Skipped 15 and 30 second ads N = 933
▲ = Statistically significant difference between test and control at >= 90% confidence
A/B = Statistically significant difference between test groups at >= 90% confidence
AND THEY EVEN PERFORM WELL COMPARED TO 15 SECOND NON-SKIPPABLE ADS

Impact of Ad Length on Brand Recall
Deltas (Test - Control)

- 6 Sec Non-Skippable Ad - A
- 15 Sec Non-Skippable Ad - B

▲ = Statistically significant difference between test and control at >= 90% confidence
A/B = Statistically significant difference between test groups at >= 90% confidence

(Mobile/PC, non-skippable) 6 second ad N = 493, 15 second ads N = 497
MANY OPTIONS FOR USING 6 SEC ADS TO ENHANCE YOUR CAMPAIGN

USE 6 SEC ADS AS AN ECHO

GO DEEP WITH YOUR MESSAGING

0:15 + 0:06

A regular 15 second skippable ad from the same brand

6 second ad from the same brand that looks similar to the next ad, but is 6 seconds

REVERSED...

USE 6 SEC ADS AS A TEASER

0:06 + 0:15

GO WIDE WITH YOUR MESSAGING

0:15 + 0:06

A regular 15 second skippable ad from the same brand

6 second ad from the same brand that looks different to the next ad, but is 6 seconds
GOING WIDE OR GOING DEEP WITH YOUR MESSAGE IS EFFECTIVE

Impact of 6 Second Ads on Brand Recall
Deltas (Test – Control)

UNAIDED BRAND RECALL

+17%▲

AIDED BRAND RECALL

+47%▲

+45%▲

- 6 Sec Ad Same Message - A
- 6 Sec Ad Different Message - B

(Mobile only) TrueView + 6 Second Ad Same Message N=692, TrueView + 6 Second Ad Different Message N=683
▲ = Statistically significant difference between test and control at >= 90% confidence
A/B = Statistically significant difference between test groups at >= 90% confidence
USING 6 SEC ADS AS A TEASER FOR A CAMPAIGN OR TO ECHO IT ARE ALSO EQUALLY VALID STRATEGIES

Impact of 6 Second Ads on Brand Recall

Deltas (Test - Control)

UNAIDED BRAND RECALL

6 Second Ad Before TrueView (A) +16%▲ 6 Second Ad After TrueView (B) +17%▲

AIDED BRAND RECALL

6 Second Ad Before TrueView (A) +47%▲ 6 Second Ad After TrueView (B) +47%▲

▲ = Statistically significant difference between test and control at >= 90% confidence
A/B = Statistically significant difference between test groups at >= 90% confidence

(Mobile only) 6 Second Ad Before TrueView N=674, 6 Second Ad After TrueView N=692
ALTHOUGH, USING 6 SEC ADS TO ECHO YOUR MESSAGE CONVEYS ORIGINALITY

Impact of 6 Second Ads on Ad Perception of “Original” (Among Those In Market for Product)

Reiterating the campaign message with a 6 second ad is a more original way to remind and keep the brand top of mind.

(Deltas (Test – Control))

Mobile only) 6 Second Ad Before Skippable Pre-Roll N=189, 6 Second Ad After Skippable Pre-Roll N=201

▲ = Statistically significant difference between test and control at >= 90% confidence

A/B = Statistically significant difference between test groups at >= 90% confidence
ON AVERAGE...

6 SECOND ADS TEND TO BE MORE COST EFFICIENT IN AUCTION THAN TRADITIONAL SKIPPABLE VIDEO OR LONG-FORM ADS
RECOMMENDATION #2

FOCUS ON STORYTELLING
STORY FOCUSED

PRODUCT FOCUSED
ALTHOUGH FOCUS ON THE PRODUCT HELPS RECALL, CONSUMERS RECOGNIZE A GOOD STORY...

Impact of Ad Focus on Brand Metrics

- **UNAIDED BRAND RECALL**
  - **Story Focused - A**: +26%
  - **Product Focused - B**: +33%

- **AIDED BRAND RECALL**
  - **Story Focused - A**: +37%
  - **Product Focused - B**: +53%

- **BRAND WITH A UNIQUE STORY**
  - **Story Focused - A**: +18%
  - **Product Focused - B**: -3%

(Please note: In the original document, the confidence levels are not explicitly mentioned in the diagram. However, based on typical academic conventions, “▲” and “AA” suggest a confidence level of 90% or higher.)
WHICH IN TURN INCREASES BRAND FAVORABILITY AND LIKELIHOOD TO RECOMMEND

<table>
<thead>
<tr>
<th>BRAND FAVORABILITY</th>
<th>BRAND I WOULD RECOMMEND</th>
</tr>
</thead>
<tbody>
<tr>
<td>+22%AB</td>
<td>+22%AB</td>
</tr>
<tr>
<td>+8%</td>
<td>+10%</td>
</tr>
</tbody>
</table>

(PC only, 15 sec skipable) Story Focused N = 102, Product Focused N = 94

▲ = Statistically significant difference between test and control at >= 90% confidence
A/B = Statistically significant difference between test groups at >= 90% confidence
RECOMMENDATION #3
HUMANIZE THE AD
JUST ADDING MORE HUMAN PRESENCE ISN’T ENOUGH TO MAKE A DIFFERENCE

Impact of Human Presence on Brand Metrics
IT’S ALL ABOUT INVOKING AN EMOTIONAL CONNECTION

Impact of Emotional Ads on Brand Recall: Deltas (Test - Control)

(PC only, 15 sec skippable) High Emotion N = 279, Low Emotion N = 257

▲ = Statistically significant difference between test and control at >= 90% confidence
A/B = Statistically significant difference between test groups at >= 90% confidence

HIGH EMOTION - A +44% ▲

LOW EMOTION - B +36% ▲
EMOTIONAL ADS ARE ALSO EXPERIENCED MORE POSITIVELY

Impact of Emotional Ads on Ad/Emotion Perceptions

- **AD WAS EMOTIONAL**
  - High Emotion (A): 46% B
  - Low Emotion (B): 26%

- **AD WAS INFORMATIVE**
  - High Emotion (A): 32% B
  - Low Emotion (B): 22%

- **I FELT ENGAGED**
  - High Emotion (A): 43% B
  - Low Emotion (B): 32%

(For PC only, 15 sec skippable) High Emotion N = 279, Low Emotion N = 257

A/B = Statistically significant difference between test groups at >= 90% confidence
RECOMMENDATION #4

MAKE
BRANDING
ORGANIC
SIMPLY ADDING MORE BRANDING AROUND THE SKIP BUTTON DOESN’T WORK

Impact of Branding by the Skip Button on Brand Recall

![Bar Chart]

**UNAIDED BRAND RECALL**

- Branding by Skip Button - A: +21%
- No Branding by Skip Button - B: +24%

**AIDED BRAND RECALL**

- Branding by Skip Button - A: +43%
- No Branding by Skip Button - B: +40%

(Results are statistically significant at >= 90% confidence)

(PC only, 15 sec skippable) Branding N = 234, No Branding N = 270

▲ = Statistically significant difference between test and control at >= 90% confidence

A/B = Statistically significant difference between test groups at >= 90% confidence
A BETTER WAY TO BRAND IS TO PUSH BRANDING EARLY IN THE AD’S STORY LINE

Impact of Story Arc on Brand Recall

People are paying attention until they skip, so getting your message out quicker will help them remember.

(PC only, 15 sec skippable) Early Story Arc N = 272, Late Story Arc N = 265

▲ = Statistically significant difference between test and control at >= 90% confidence
A/B = Statistically significant difference between test groups at >= 90% confidence

UNAIDED BRAND RECALL

Early Story Arc - A

AIDED BRAND RECALL

Late Story Arc - B

+31% ▲ B

+23% ▲

+39% ▲ B

+33% ▲
WE LEARNED...

THERE’S NO AVOIDING THE FACT THAT PEOPLE WILL SKIP ADS AND IT’S A HABIT THAT’S DIFFICULT FOR ADVERTISERS TO CURB.
WE SHOULD OPTIMIZE USING BRAND KPIs.

Consider investing in 6 second ads to enhance your campaign, as they offer good value for less. 6 second ads also offer the ability to impact consumers who would have otherwise skipped.

Ensure the creative connects to consumers through storytelling, emotion, and an early story arc to help increase the ad’s value.
THANK YOU

For further questions, contact:
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kara.manatt@magnaglobal.com