

# FreeWheel®

SERVING THE VIDEO REVOLUTION.



## FREEWHEEL VIDEO MONETIZATION REPORT

Q3 2010 TRENDS

## Key Findings: Professional Digital Video - More Like TV Than Ever Before

- Professional video content delivered through the wired and mobile web is being increasingly monetized and consumed like television
- While the majority of ads are pre-rolls that appear before content, ads that appear within content – mid-rolls – are the fastest growing ad format in the market, indicating that ad loads are becoming more like television
- Consumers are becoming more accustomed to viewing ads before and during content, reflected in the increasing video ad completion rates
- In comparison to user generated content, the value exchange between the consumer and the media companies for professional content is understood: professional video content advertising has high relative completion rates

## Overview

FreeWheel, founded in 2007, manages ad sales rights and serves ads into video content in the U.S. and abroad on wired and wireless Internet devices. Its flagship product, Monetization Rights Management® (MRM) solves a crucial issue for producers of professional video content: ad sales rights management as video is consumed on a multiplicity of devices beyond the traditional confines of the television. The data in this report comprises 6 billion video views and 3 billion video ad views per quarter from Q1 through Q3 2010 and is one of the larger pools of data available on the usage and advertising monetization of professional video content: it represents approximately 25% of all video ads served in the U.S. according to comScore. As such, the data gives valuable insight into both consumer usage of

this type of content and how brand advertisers are employing it. The FreeWheel Video Monetization Report will be released quarterly and seeks to highlight the changing dynamics of how the largest content owners and distributors are monetizing professional digital video content. In this, the first report, we establish a baseline of activity in terms of ad placements employed and the completion rates by ad placement.

Ad Views Composition:  
Pre-, Mid-, Post-roll Q3

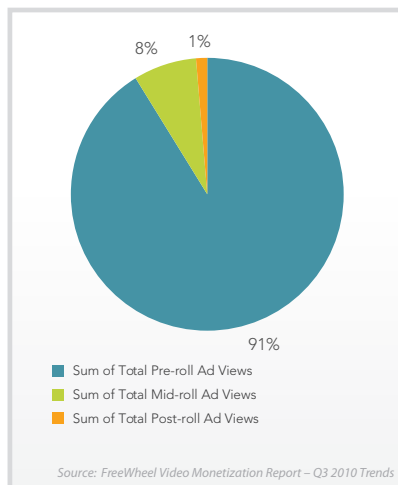


chart 1

Ad Views Composition Q3: Pre-, Mid-, Post-roll, Overlay

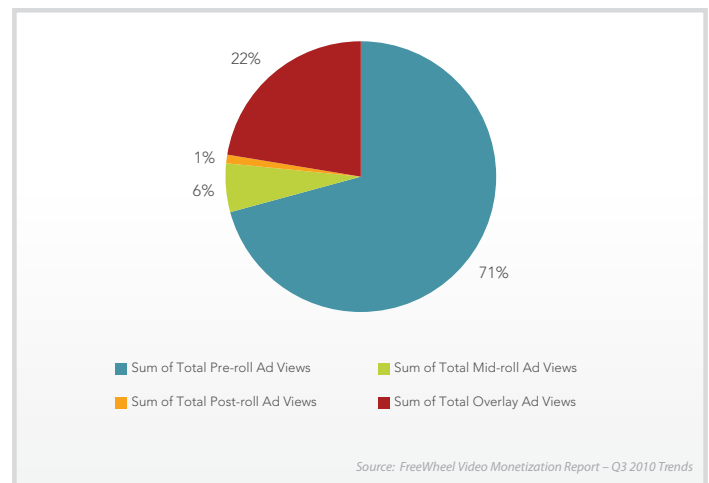


chart 2

## Ad Placements Employed

While television has standard break structures for ads determined by each network, to date, professional digital video was accompanied by one ad, if that, running before the content. In Q3 of 2010, pre-roll ads made up 91% of all video ads managed by the FreeWheel system. Mid-roll ads encompassed 8% and post roll ads make up 1% [see chart 1]. Digital video, unlike television, has other sold ad formats, including overlays: advertising visuals that appear over the video content, typically at the bottom third of the screen. If you look at overlays as a percent of all ads, this relatively new format now comprises 22% [see chart 2].

## Video Ad Views Volume by Ad Format

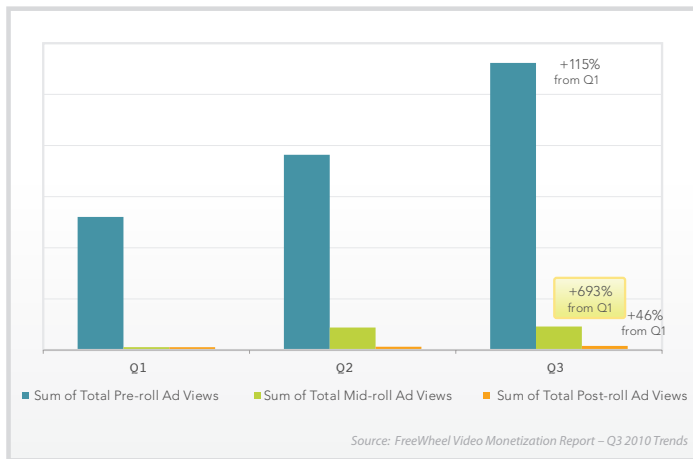


chart 3

## Growth by Placement

All ad placements have grown dramatically in the FreeWheel system over the past three quarters, but this is partly due to increase in their customer base. More significantly, mid-roll placement has experienced the fastest growth rates (+693%) [see chart 3] indicating that professional long form content is taking increasing hold on both usage and the advertising market. Post-roll ads have also experienced growth as publishers are increasingly creating content playlists whereby one video plays into the next. As seen on television, the line between what is considered a post-roll ad and what is considered a pre-roll ad will blur as, to consumers, it's just a set of ads between the two videos they want to watch.

## Completion Rates by Ad Format over Time

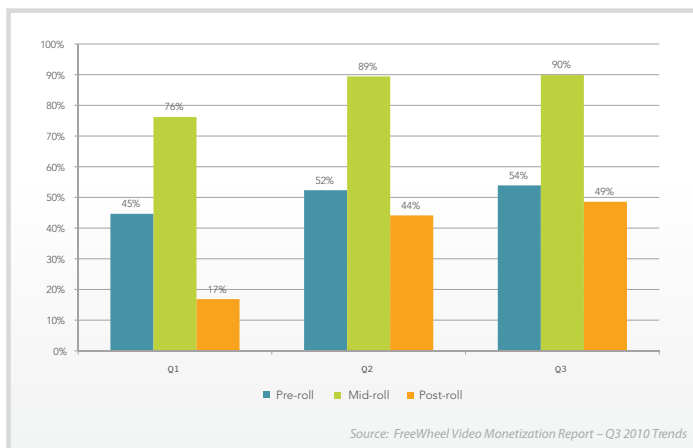


chart 4

## Video Ad Completion Rates

All video ad placement completion rates have grown over the past year [see chart 4] which attests to growing tolerance for advertising in exchange for content. Mid-rolls have the highest

completion rates (90% in Q3) indicating that viewers are hesitant to abandon long form video viewing and are highly inclined to stay through breaks in content. Post-roll ads also have relatively high completion rates: 49%. Even though the content had finished playing, nearly half stayed for the ads, often because the ads come before the next video the consumer intends to watch.

## In Summary

The data from the FreeWheel Video Monetization Report should dispel any discussion of consumers being unwilling to watch ads in exchange for premium digital video content. Much early reporting on the issue focused on short clips of user generated content and showed extremely low completion rates for pre-roll ads. Clearly, behavior is different with professional content, especially long form. Much like television, where ads – if appealing to the consumer – will engage attention, ads placed in digital video are indeed viewed. The growth in mid-roll placements and the relatively high completion rates attest to the ability of professional content to deliver attentiveness to advertisers. While issues like clutter are beyond the purview of this current data set, it stands to reason that with lower ad loads (television typically has 8 minutes of advertising for every 22 minutes of content) and its on-demand nature, professional digital video holds significant value for the advertiser.

## A Note on the Data

FreeWheel serves over 3 billion video ads (pre-roll, mid-roll, and post-roll) per quarter and makes ad decisions for nearly 6 billion video views. While the data here is primarily U.S.-based activity on behalf of U.S.-based content producers, approximately 22% of the viewing occurs outside the U.S. The data here represents only video that is rights-managed: aggregate monetization data for professional content from FreeWheel's customers, and does not reflect trends for user generated content.

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For more information or if you have questions about this report, contact us:

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