

4 Reasons to adopt

Dynamic Video in 2020

An executive guide on the theory, technology and ROI for smart video production



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Introduction

Who. What. Where. Why.

Since we founded Storyteq in 2015 we've created over 5 million videos for clients operating in over 25 countries. The best part is that we've done this without manually editing a single video. Looking at the statistics it's safe to say we've earned our stripes when it comes to automatically creating videos at scale.

Over the years we've helped many large corporations in adopting new ways of scaling their video production to reduce costs, time and complexity. We've decided to write this whitepaper to provide you with a better understanding of why video content production has (or will) become an important item on your agenda when running advertising campaigns on a global level. It will provide you a practical framework for applying smart production methods and technology to make life a bit easier. Happy reading.

02

Video content

More. Faster. Better. Personalized.

The total market size for digital video production is estimated to grow to 130 billion euros in 2020. And with a year over year growth of approximately 10% over the past 5 years, the term exploding is in the right place. So, let's zoom in on what causes the enormous rise of online video content. Although related to each other, we can state that there are 3 main drivers for this rapid growth:

- 1 Technology**
the availability of video inventory
- 2 Consumer**
the battle for their attention
- 3 Marketeers**
the quest for results

Technology

One of the biggest drivers for the rapid growth of online video is the availability of video ad inventory offered by the major ad platforms (Facebook, YouTube etc.). Over the last 5 years the amount has been increased by 200% and is expected to keep growing in the upcoming years. The growth in demand for video inventory seems to go hand in hand with continuous growth of mobile usage. While most formats saw increases in revenue via mobile -with search and banner increasing respectively 37% and 36%-, video was up by 65% over 2017. The fact that our smartphones have stronger processing power and mobile internet is available everywhere at lower costs, the growth is set to continue for the upcoming years.

Consumer

To quote Thales S. Teixeira, professor at Harvard Business School: “What cost has risen the most dramatically for businesses in the last 25 years? It’s not the cost of staff or taxes, or even executive compensation. It’s advertising, more precisely the cost of commanding consumer attention, which by my calculation has seen a staggering seven- to nine-fold increase in real terms since 1990.”

When demand outpaces supply, prices rise. Marketers’ demand for consumers’ attention has grown dramatically in recent years with the proliferation of new brands and products (remember when there was only one variety of Oreo?). The supply of attention, however, can (by and large) only grow with population growth. At the same time, consumers have been armed with all sorts of tools to avoid paying attention to advertisements, including DVRs, ad blockers, and mobile devices that allow them to shift their attention to content of their choosing.

It’s a safe bet that the ad-to-sales ratios of major companies have risen accordingly in the same period, and the rising costs of capturing consumer attention has driven smaller companies without deep pockets to abandoning mass media advertising altogether, with promotions, discounts, and giveaways becoming their favored way to inform consumers about new products.

In search for new ways of drawing crucial attention companies apply multiple strategies which almost always include 2 components:

- The use of video ads
- Personalization of ads

As you can imagine, creating personalized video ads requires a higher amount of actual videos.

Marketeers

With video inventory becoming cheaper and cheaper, there are new possibilities for marketers today. Marketeers can leverage on this opportunity to create new ways that will boost their conversion rates. A study performed by Brightcove provides the following facts on video advertising and their results:

- Video is the most memorable form of content: 21% of consumers overall and 29% of millennials find video more memorable than other forms of content. Video was ranked significantly higher than other forms of content such as display ads (13%), email marketing (9%), case studies (4%), text ads (2%), among others, which all ranked lower than 4% of overall consumers.

- Video engages consumers more than any other form of content: 45% of consumers overall and 56% of millennials feel that video is more engaging than other forms of content.
- Video is preferred for brand and marketing communication: 36% of consumers overall and 46% of millennials prefer video content over other forms of brand and marketing communication.


Looking at these results it's no wonder marketers consider video to be the next big step in boosting their marketing results.

Video vs other forms of content




21%

of consumers find
video content
more memorable



45%

of consumers feel
that video content
is **more engaging**



36%

of consumers **prefer**
video content for
brand communication

Production problems

Cost. Control. Complexity. Speed.

The rise of video has provided many opportunities. However, it also comes with certain costs. Since 2015, we've been working together with a large group of multinationals to identify the real problem. The problems we identified are interconnected and have further been broken down into three major problems. They include:

- 1 Low speed**
More assets, same process, slower go-to-market
- 2 High costs**
More assets, more hours, higher costs
- 3 Marketeers**
Local markets act like local markets act

Let's deep dive into them one by one.

Low speed

More assets require more time to create. 80% of multinationals are dependent on external suppliers for the production of their assets which are scalable up to a certain level and adding more people will not fix this problem in the long run. The longer it takes for your assets to be produced, the longer it takes to bring them to the market. And with the market moving at a rapid pace, the relevancy of your newly produced assets and marketing campaigns become lower.

High costs

This problem seems like an obvious one, but it isn't. As stated earlier, 80% of the multinationals outsource their asset production to an external supplier and often it's done at a local level. Many of our clients started the conversation with "We only create 20 videos per year and then send them off to our local markets, the local markets are responsible for adjusting the assets to local standards and needs". We then started to investigate the costs per local operating country. These costs varied between €1000 and €3000 per video edit. With an average of 20 video assets per received video (leaving display out of the equation) the total costs amount up to € 600,000 of video editing costs per year per local operating country.

If you multiply this number by the number of operating countries, you get a pretty clear picture of the total costs.

No control

As we're all in the brand-building business, we don't have to explain the importance of consistency and compliance regarding brand guidelines and local regulations (i.e. when you are selling regulated products and services). With the number of ads increasing and the continuous pressure on faster time to market, the risk of making mistakes increases.

Research among our clients shows that media results such as spend and reach and KPIs are reported in a consistent way on a global level. However, the part that has the most significant impact on the media results; the asset is barely reported on (Google research shows that 60% of the results of a media campaign can be contributed to the quality of the asset).

There is no single point of truth when it comes to the creation of assets, how they are localized and their role in relation to the media results. This is both a missed opportunity as well as a risk for the organization.

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Insourcing digital marketing

Build capability and gain speed

To get a better picture of what companies can do to overcome the existing problems, it is necessary to zoom in on some strategic decisions c-level marketers have been making over the last few years. One major strategic call by many companies since 2016 is the insourcing of marketing activities.

As described in the article “Is It Time to Bring More of Your Marketing In-House?” published by the Boston Consulting Group (BCG) on July 19th, 2018 some primary reasons for insourcing are given:

“Although most insourcing efforts have involved digital marketing activities, some companies (including Chobani, Pepsi, and Unilever) have brought strategy or creative functions in-house. Some major brands (including Allergan, Land Rover, and Sprint) have established full-service internal creative groups.

One reason for the shift is the mounting frustration with agencies, owing to slow turnarounds, the lack of cost transparency, and, to a lesser extent,

the lack of digital skills—the very skills needed for navigating today’s complicated digital marketing environment.

Apart from reining in costs, bringing marketing activities in-house helps companies accelerate their marketing output and generally gain greater control. Additionally, insourcing helps companies gain proximity to the customer and frees up organizations to build and maintain internal capabilities.

Just by removing agency overhead and margin costs, companies can save as much as 50% of their current agency and content-development costs. P&G, the world’s largest advertiser, has reduced its number of agency and marketing relationships by 60% since 2015, cutting external fees by \$750 million. (It plans to cut another \$400 million over the next three years.)”

What do our clients do?

The trend as described by BCG is recognized (and acted on) by our clients. Among the group of 'insourcers', we found an additional reason to insource their core (digital) marketing activities. Over the past years, our partners noticed that the initial reason why they contracted their partners (expertise) has slightly faded away. Creative agencies weren't being fully creative anymore because of the continuous pressure on creating more and more assets and media agencies weren't creating state-of-the-art media strategies anymore because of the continuous pressure of running more (and more complex) media campaigns. Both were often operating against lower margins than initially agreed on.

Taking away the repetitive and labor-intensive work from (expensive) external partners provides them with more freedom to do what they're good at but it shifts the problem to their organization. And that's where technology comes in.

Key reasons for insourcing

- 1. Digital marketing is a core activity**
- 2. Lack of (cost) transparency**
- 3. Speed gain and agility**
- 4. Cost reduction**

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Factory of the future

Scalable. Simple. Self-service.

In the previous chapters, we discussed several problems marketing teams experience within the current video production and advertising landscape. Insourcing (or partially insourcing) their marketing activities and building strong capabilities will help to further strengthen their foundation and to be future-proof. This chapter will discuss the role of technology and how it can help internal and external teams to scale up their asset production process without hiring additional people.

Centralize the production of assets

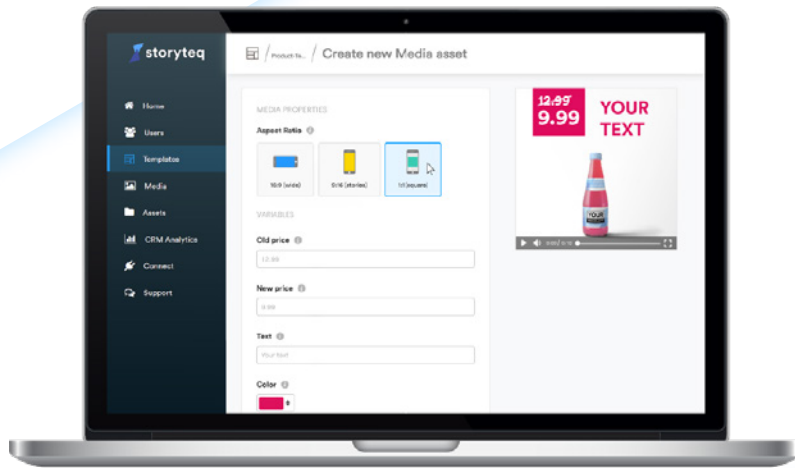
A large number of local campaigns are driven by global initiatives and are only adapted to the local needs of each specific country. The work that is done by local teams and / or partners is most of the times merely the adjustment of assets. Within the current way of working, local countries receive the assets and then start the process of adjusting them. Due to the decentralized character, the process is expensive, time-consuming and in most of the cases inefficient.

As we've learned over time from the manufacturing industry, a single factory can dramatically reduce per-unit production costs by using the same equipment to produce different products, allowing the company to achieve economies of scale. Centralized manufacturing can also enable better forecasting, more local jobs, consistent production and more effective use of limited resources. The costs of materials may also be lower for centralized manufacturing sites that are located near the source of those materials.

The downside of a centralized factory can be the inflexibility; however, for digital products, this can and must be different. So, how does this all apply for the production of digital assets?

Smart production platform

Consider a smart production platform as your technology-driven factory which contains everything you need to adapt, distribute and optimize your assets on a global scale. It is positioned between your creative partners and aligning technology such as your digital asset management systems and ad platforms managed by you or your media partners.



It is important to understand that a smart production platform is not a video editing suite. It's a centralized environment that allows you to translate existing assets into smart templates and create new assets based upon those templates. Without mentioning specific functionalities, we asked our clients what the 4 key capabilities and benefits are for their smart production environment.

1. Connected to key input sources within the value chain

The increasing amount of content forces an organization to look for new ways to manage this. The enormous rise of the adoption of digital asset management systems, product feeds and 3D render technology to digitalize the product portfolio is the first step in digitalizing the content creation value chain. These systems function as the foundation for a smart production strategy. Connecting these sources to a smart production environment creates direct access to curated and brand-safe content ready to be used.

2. Fast, template-based creation of different types of assets

A template-based approach provides the freedom marketers need to adjust content, without having to start from scratch and running the risk of creating non-compliant content. A template is a pre-defined raster which has the ability to change both the shape (aspect ratio, length, file format) of the asset as well as the dynamic variables within the content (text, images, segments, and speech). The variables are replaced by the available data coming from connected input sources.

Besides speed and cost reduction, an additional benefit is (brand) consistency in all types of content created. Brand consistency builds trust among consumers which is a primary reason to buy.

3. Workflow and process support for asset translation and approval

When supplying local markets with 'ready-to-go' content made available within their ad channels instead of supplying open source files, you want to stay flexible in making quick and often necessary adjustments and get direct access the expert support you need.

In a research conducted among 20 key users of the Storyteq platform regarding this subject, they highlighted the following functionalities as most time-saving and convenient:

- Direct integration with translation services – The possibility to directly push content to a (or your) translation agency.
- Feedback flow – The possibility to filter content and send them to local countries to provide feedback and approval.

4. Easy and structured distribution to ad platforms

Creating more and better content in less time is one; however, you create content to run a campaign. The Storyteq smart production platform allows you to directly push the created assets to the connected advertising platforms including the right naming schemes for reporting purposes.

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Factory of the future

Scalable. Simple. Self-service.

There are many ways to calculate a business case. For this scenario, we decided to take only direct cost savings into account and leave out the scenario in which you decide to do nothing and leave everything as is. Although it would only strengthen the business case, the number of assumptions will simply be too high. If you are interested in this calculation - it's available, so feel free to reach out.

On the left-hand side of the equation, we have the savings. For smart production there are four dominant factors to take into account:

1. Money saved on (local) editing cost

This is a small recap of the cost-saving part which is already discussed in chapter 3. Local countries spend around €1000 to €3000 per edit. With an average of 20 assets per year, re-edited to 20 new ones, the average costs can go up to around € 600,000 per year / per country. Multiply this by the number of operating countries and you'll get a pretty clear picture of how much your organization spends on (re-) editing content every year. Lorem

2. Faster turnaround time

The reason you create content is to run a campaign that (hopefully) yields strong results. The faster your campaign goes live, the faster the results and the return will come. It's hard to find or place an exact number for this, but let's try. On average every campaign you run has an ROI of 300%. So every euro you spend, you will get 3 euros back. On average our clients run 6 global campaigns per year of which they miss 1 due to wrong (read: slow) timing. On average they spend €500,000 on a campaign per operating country, yielding €1,500,000. Missing one campaign leads to €1,500,000 in missed revenue per operating country.

3. Higher consistency and fewer mistakes in created assets

As said before, 60% of your campaign success is determined by the concept and quality of your content and trust among consumers is gained by having high consistency within your content. A smart production platform allows you to have both. Due to the template-based approach, it ensures

your content is in line with your branding guidelines and fewer errors are made in the creation process. On average, our clients save 4% on creation costs by only eliminating double work and errors in the production process.

4. Better return on ad spend

Creating content that better fits the needs and context of your audience (personalization) simply leads to an uplift in media results. On average our clients yield a 20% higher ROAS directly contributed to more relevant and better ads. An additional advantage is that every campaign they run provides them valuable insights in how audiences respond to different creatives in different situations providing them a sustainable foundation to further improve their results.

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Start

How to start with smart production

We hope that this whitepaper has provided valuable insights on why and how a smart production strategy can help you create a sustainable and efficient content creation value chain. To apply this within your organization, there are two approaches you could use:

- **Pragmatic:**

Run dynamic campaigns, learn and pragmatically build the foundation you need to scale-up

- **Strategic:**

Create a solid foundation by adopting small parts of all the necessary steps and scale from there.

There is no right or wrong in this situation and both approaches have turned out to be successful among many of our clients.

Any questions? Get in touch.



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